



MARYLAND

DEPARTMENT OF TRANSPORTATION

A DEPARTMENT OF THE STATE OF MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

Martin O'Malley, Governor
Anthony G. Brown, Lt. Governor
Darrell B. Mobley, Acting Secretary



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

Prepared by the Secretary's Office - Office of Finance

David L. Fleming, Director/Chief Financial Officer
Wonza Spann-Nicholas, Deputy Chief Financial Officer
Steven P. Watson, Assistant Director, Accounting
Brandie S. Karfonta, Accounting Manager

MARYLAND DEPARTMENT OF TRANSPORTATION MARYLAND TRANSPORTATION PLAN



Mission

The Maryland Department of Transportation's mission is to enhance the quality of life for Maryland's citizens by providing a balanced and sustainable multi-modal transportation system for safe, efficient passenger and freight movement.

Vision

The Maryland Department of Transportation strives to achieve our vision of a world-class multimodal transportation system that supports a vibrant economy and an excellent quality of life for all Marylanders.

MARYLAND DEPARTMENT OF TRANSPORTATION
A Department of the STATE OF MARYLAND
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MARYLAND DEPARTMENT OF TRANSPORTATION
Comprehensive Annual Financial Report



INTRODUCTORY SECTION



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Maryland Department of Transportation
The Secretary's Office

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

Darrell B. Mobley
Acting Secretary

Leif A. Dormsjo
Acting Deputy Secretary

December 10, 2012

Darrell B. Mobley
Acting Secretary
Maryland Department of Transportation
7201 Corporate Center Drive
Hanover MD 21076

Dear Secretary Mobley:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Maryland Department of Transportation (Department) for the fiscal year ended June 30, 2012, which includes the financial statements of the Department. The data, as presented, is reported in a manner designed to present fairly the financial position and changes in financial position of the Department. All disclosures necessary to enable the reader to gain a maximum understanding of the Department's financial affairs have been included. This CAFR is a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Department. Consequently, management assumes full responsibility for the completeness and reliability of all information presented within this report. To provide a reasonable basis for making these representations, the Department's management has established a comprehensive internal control framework designed to protect the Department's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Department's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The Department, in conjunction with the State of Maryland (State), requires an audit of the Department's basic financial statements by a firm of licensed certified public accountants. The Department has complied with this requirement, and the independent audit report of SB & Company, LLC is presented as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the Department's financial statements for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall

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financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Department's basic financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP.

The independent audit of the Department's basic financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State of Maryland's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Department's MD&A can be found immediately following the report of the independent public accountants.

Profile of the Government

The Department has the responsibility for most State-owned transportation facilities and programs. This responsibility includes the planning, financing, construction, operation and maintenance of various modes of transportation and effecting various related licensing and administrative functions. The statutorily created transportation agencies or modal administrations that are encompassed by the Department are the Maryland Aviation Administration, the Maryland Port Administration, the Maryland Transit Administration, the Motor Vehicle Administration, the State Highway Administration, and the Transportation Secretary's Office.

The Secretary of Transportation is empowered, on behalf of the Department, to exercise or perform any power or duty that any of these Administrations may exercise or perform. These powers and duties involve, among others, the operation of the Baltimore Washington International Thurgood Marshall (BWI Marshall) Airport, including the power to set landing fees and to rent space to airlines and concessionaires; the operation of the various State-owned buildings and marine terminals in the Port of Baltimore, including the power to set and collect rental and other fees for the use of these facilities; the construction and maintenance of the State Highway System; the operation of all mass transit facilities in the Baltimore Metropolitan Transit District, including the operation of the rail system in this District and the power to set and collect the fares for this system; the licensing and registration of all motor vehicles and motor vehicle operations in the State; and the power to acquire any property by purchase or condemnation that is necessary to exercise or perform these powers and duties. The Secretary of Transportation is also empowered to provide grants for transportation-related purposes, including annual grants in support of the Washington Metropolitan Area Transit Authority (WMATA) for construction and operation of its facilities.

Certain transportation facilities, which are not part of the Department's financial reporting entity, are operated as toll facilities by the Maryland Transportation Authority (Authority). These toll facilities, the Chesapeake Bay Bridges, the Fort McHenry Tunnel, the Baltimore Harbor Tunnel, the Francis Scott Key Bridge, the John F. Kennedy Memorial Highway and others are included in the Authority's separately audited financial statements. The Authority also developed a 262-acre containerized-cargo marine terminal, the Seagirt Marine Terminal and an intermodal container transfer rail yard. The Maryland Port Administration manages the intermodal container transfer yard and leases the management of Seagirt Marine Terminal to an outside private entity. The Authority consists of six members who are appointed by the Governor and the Secretary, who is ex officio and serves as the Chairman.

The Department's annual budget serves as the foundation for its financial planning and control. The Governor is required, by the Maryland Constitution, to submit annually to the General Assembly a balanced budget containing a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, including a plan of proposed expenditures and estimated revenues for the Department. The General Assembly may not amend the Budget Bill to affect payment of State debt or otherwise to change its provisions, except to increase or decrease the appropriations relating to the General Assembly or the judiciary, or to strike out or reduce other appropriations submitted by the Governor. It must, however, enact a balanced budget. The General Assembly may authorize an appropriation apart from the Budget Bill, but it may only do so by a separate supplementary appropriation bill limited to a single object or purpose and providing for levying a specific tax or taxes in that bill sufficient to fund the appropriation.

The Department's expenditures are made in accordance with appropriations provided for in the annual budget, except that the Department may submit to the Governor a budget amendment and, if the Governor approves the amendment, the Department may make disbursements in accordance with the budget amendment. By budget amendment, the Department may increase or decrease the amount of the appropriation for any project or transfer funds from one project or administration to another. A budget amendment may not, however, increase the salary or salaries of any office or position, except in certain acute emergencies, or change any language or substantive provision in the budget. All amendments approved by the Governor are required to be reported to the next session of the General Assembly. By means of a constitutional amendment in 1978, the General Assembly is permitted to enact bills that may require the Governor to provide for specific program funding in the annual budget. A schedule showing budget and actual expenditures is presented as required supplementary information at the end of the financial section of this report.

Transportation Trust Fund

The Transportation Trust Fund (TTF) was established in 1971 by Chapter 526 of the Laws of Maryland for 1970. The TTF is credited with revenues collected from motor vehicle titling and fuel taxes, a portion of the State's corporate income tax, a portion of the State's sales tax on rental vehicles, various fees, charges for services, bond proceeds, federal grants for transportation purposes and other receipts of the Department. All expenditures of the Department are made from the TTF. The Department may use the funds in the TTF for any lawful purpose related to the exercise of its powers, duties and obligations, after meeting its debt service requirements. Unexpended funds remaining in the TTF at the close of each fiscal year do not revert to the State's General Fund Account but remain in the TTF.

Accounting records for the Transportation Trust Fund (TTF) are maintained by the Comptroller of Maryland, and all cash and investments of the TTF are held by the State Treasurer, except for revolving cash accounts. Accounting records for the TTF, for operational and management purposes are maintained by the Department's Office of Finance. Although the accounts maintained by the Department on a budgetary basis generally conform to GAAP, there are certain departures from these principles that are dictated by statutory requirements and historical practices. The principal departures are the exclusion of non-budgeted activities and classification of fund-type.

Factors Affecting Financial Condition

The information presented in the Department's financial statements is best understood when it is considered from a broader perspective of the specific environment within which the Department operates. All of the Department's activities are supported by the TTF. The flexible structure of the TTF provides the Department with the ability to expand and maintain the modal administrations' operating, capital construction and maintenance programs. The condition of the State's economy influences its revenue sources. Tracking the factors that affect Maryland's economy helps in monitoring the financial health of the TTF.

Local Economy

Maryland's economy continued to 'shake off' the effects of the national recession this past year. By most measures, Maryland's economic indicators showed positive trends of increased growth. Employment expanded with year-over-year job growth each month, and consumers felt more confident as evidenced by the 5.1% year-to-date rebound in retail sales (including automobile sales).

The greatest concern for continued recovery remains tied with the federal government and its economic footprint in the State. The effects of the pending federal sequestration measures could have significant negative impacts on Maryland's economy. Our outlook assumes that federal policymakers will come to an agreement to avoid the 'fiscal cliff', and that Maryland's economy will continue with modest employment and income growth throughout the coming year.

The Department's transportation system provides important economic benefits to the citizens and businesses throughout Maryland. The port, airports, highways, and transit systems each play a vital role in moving goods and people around and through the State. Maintaining and improving the Department's transportation system is essential for growth in Maryland's economy. Investment in the Department's transportation system results in direct economic benefits such as construction jobs and indirect benefits such as businesses choosing to relocate in Maryland, in part due to the Department's efficient and effective transportation system.

Long-term Planning

Each year the Department uses the Maryland Transportation Plan, last adopted in January 2009, as a guide to develop the draft Consolidated Transportation Program (CTP), a specific list of projects to be funded over a six-year period. The Department publishes the draft CTP in September of each year and the final CTP in January of the next calendar year. The CTP lists the capital projects that preserve and enhance our transportation system to accommodate intrastate and interstate travel, international travel, and to facilitate commerce. These projects are Maryland's investment in our highway, transit, port, and aviation facilities that ensure a safe and efficient transportation system.

Projects included in the Department's 2013 draft CTP for fiscal years 2013-2018 requires about \$9.8 billion in funding over the next six years. Of that amount, \$4.8 billion is allocated for State Highway Administration projects, while \$3.2 billion is allocated for Maryland Transit Administration projects. The remaining amount includes Maryland Port Administration projects of \$836 million, Maryland Aviation Administration projects of \$639 million, Motor Vehicle Administration projects of \$105 million, and projects in the Transportation Secretary's Office of \$237 million. Overall, the Department's capital program continues to emphasize preservation of Maryland's existing transportation infrastructure and ensures the competitiveness of the Port of Baltimore and BWI Marshall Airport.

Pension Benefits

The Department contributes to the State Retirement and Pension System of Maryland (System), established by the State of Maryland to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of the various participating political subdivisions or other entities within the State. While the System is an agent multiple-employer public employee retirement system, the Department accounts for the plan as a cost sharing multiple-employer public employee retirement system since a separate valuation is not performed for the Department and the Department's only obligation to the plan is its annual contributions.

The Department sponsors a single-employer noncontributory benefit pension plan for all Maryland Transit Administration employees that are covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution the Department must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Department fully funds each year's annual required contribution to the pension plan as determined by the actuary.

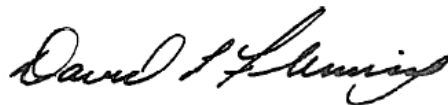
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Maryland Department of Transportation for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This year was the **twelfth** consecutive year the Department has received this prestigious award. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this CAFR would not have been possible without the efficient and dedicated services of the entire staff in the Office of Finance and assistance from various other agencies within the Department. I would like to express my appreciation to all members of the Department who assisted and contributed to the preparation of this CAFR.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Fleming". The signature is fluid and cursive, with the first name "David" and last name "Fleming" clearly distinguishable.

David L. Fleming
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maryland Department of Transportation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



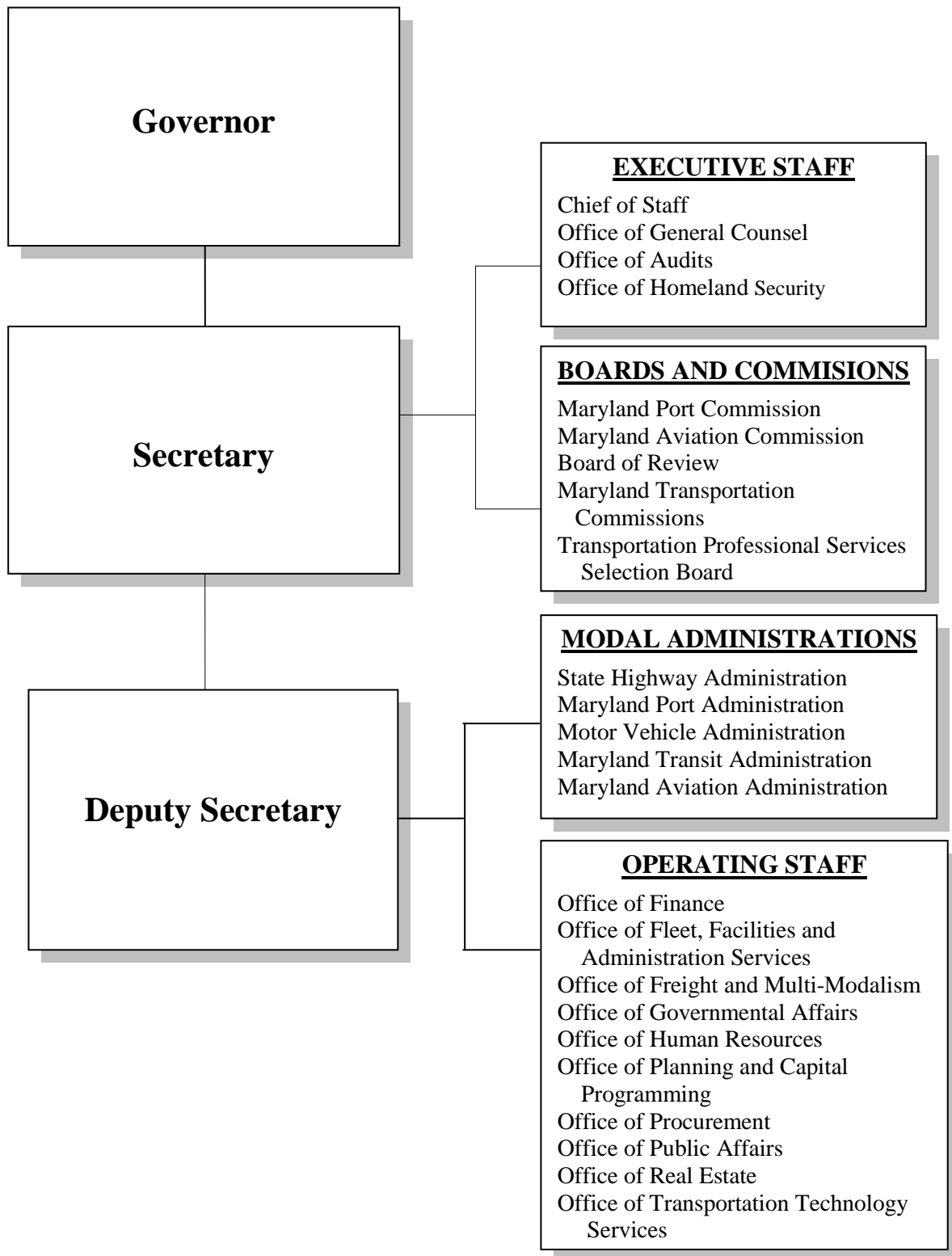
Linda C. Danson

President

Jeffrey R. Enen

Executive Director

MARYLAND DEPARTMENT OF TRANSPORTATION
Organizational Chart



MARYLAND DEPARTMENT OF TRANSPORTATION
List of Principal Department Officials
For the Year Ended June 30, 2012

<u>Title</u>	<u>Name</u>
Acting Secretary of Transportation	Darrell B. Mobley
Acting Deputy Secretary of Transportation.....	Leif A. Dormsjo
State Highway Administrator	Melinda Peters
Maryland Port Executive Director.....	James J. White
Motor Vehicle Administrator	John T. Kuo
Maryland Transit Administrator	Ralign T. Wells
Maryland Aviation Executive Director.....	Paul J. Wiedefeld
Assistant Attorney General and Principal Counsel.....	Denise Ferguson
Chief Financial Officer	David L. Fleming

MARYLAND DEPARTMENT OF TRANSPORTATION
Comprehensive Annual Financial Report



FINANCIAL SECTION



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Mr. Darrell B. Mobley, Acting Secretary
Maryland Department of Transportation

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Maryland Department of Transportation (the Department) as of June 30, 2012, and for the year then ended, which collectively comprise the Department's basic financial statements as listed in the table of contents. The Department's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Maryland Department of Transportation as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting standards generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions of the Maryland Transit Administration Pension and Other Post-retirement Benefit Plans, and the special revenue fund's schedule of revenues, expenditures and changes in fund balance - budget and actual, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the



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required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Department's basic financial statements. The statement of changes in assets and liabilities - agency funds, introductory section and statistical section are presented to provide supplementary information or for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The statement of changes in assets and liabilities - agency funds has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

SB & Company, LLC

Hunt Valley, Maryland
December 10, 2012

MARYLAND DEPARTMENT OF TRANSPORTATION

Management's Discussion and Analysis

As management of the Maryland Department of Transportation (Department), we offer the citizens of Maryland and others interested in the Department's financial statements this narrative overview and analysis of the financial activities of the Department **for the fiscal year ended June 30, 2012**. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 7 of this report.

Financial Highlights

- The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$13,082,448,000 (**net assets**). Of this amount, \$278,008,000 (**unrestricted assets**) is reflected on the Statement of Net Assets as a negative amount due primarily to the reporting of pollution remediation, unfunded pension and OPEB liability.
- The Department's governmental funds reported a combined **ending fund balance**, as of the close of the current fiscal year, of \$227,180,000, a decrease of \$104,468,000 in comparison with the prior fiscal year.
- The Department's Consolidated Transportation Bonds debt outstanding increased by \$790,000 (0.051%) during the current fiscal year. The key factor in this slight increase was a bond refunding and reissuance at a discount and the Department continued to make its regularly scheduled debt service payments during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as one of several useful indicators of the Department's financial position. The Statement of Activities presents information showing how the Department's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions. The governmental activities of the Department include the Secretary's Office, the State Highway Administration, the Maryland Port Administration, the Motor Vehicle

Administration, the Maryland Transit Administration, the Maryland Aviation Administration, Washington Metropolitan Area Transit Authority Grants, distributions to political subdivisions, distributions to other state agencies and debt service. The government-wide financial statements include only the Department (a special revenue fund of the State of Maryland), which has no component units and does not include the Maryland Transportation Authority, which is a separate enterprise fund of the State of Maryland. The government-wide financial statements can be found starting on page 29 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the special revenue fund and the debt service fund. The special revenue fund is considered to be a major fund. The basic governmental fund financial statements can be found starting on page 31 of this report.

The Maryland General Assembly authorizes an annual appropriated budget for the Department's special revenue fund. A budgetary comparison schedule has been provided for the special revenue fund to demonstrate compliance with this budget. The budgetary comparison schedule can be found on page 64 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Department's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 34 of this report.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 36 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Department's progress in funding its obligation to provide pension benefits to its employees at the Maryland Transit Administration, as well as the budget and actual comparison schedule. Required supplementary information can be found starting on page 61 of this report.

Government-wide Financial Analysis

As noted earlier, *net assets* may serve over time as a useful indicator of a government's financial position. For the Department, assets exceeded liabilities by \$13,082,448,000 at the close of the most recent fiscal year. By far the largest portion of the Department's net assets reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Department uses those capital assets to provide services to the citizens of Maryland; consequently, these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following schedule reflects the Department's Net Asset Summary.

Maryland Department of Transportation Net Assets

(amounts expressed in thousands)

Governmental Activities	2012	2011
Current and other assets	\$ 915,578	\$ 954,946
Capital assets	15,638,460	15,353,459
Total assets	16,554,038	16,308,405
Long-term liabilities outstanding	2,862,487	2,803,288
Other liabilities	609,103	642,442
Total liabilities	3,471,590	3,445,730
Net assets:		
Capital assets, net of related debt	13,360,456	13,068,635
Unrestricted assets	(278,008)	(205,960)
Total net assets	\$ 13,082,448	\$ 12,862,675

The Department's net assets increased by \$219,773,000 during the current fiscal year of 2012, primarily due to our continued efforts to maintain, improve and expand our infrastructure network.

Governmental activities

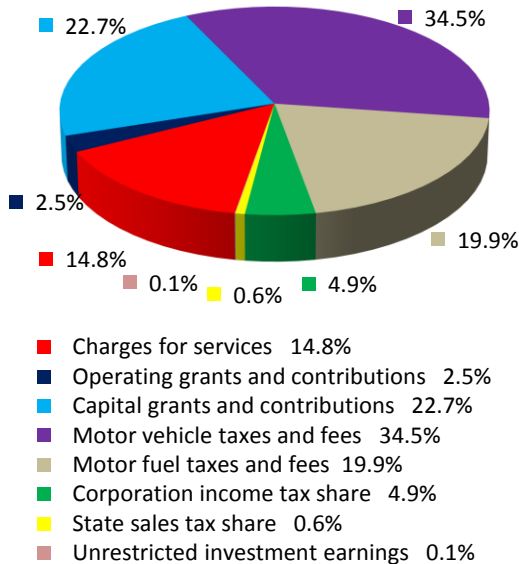
Governmental activities, which represent the Department's overall economic position, increased the Department's net assets by \$219,773,000. The key elements of the Department's governmental activities are as follows:

Maryland Department of Transportation**Changes in Net Assets***(amounts expressed in thousands)*

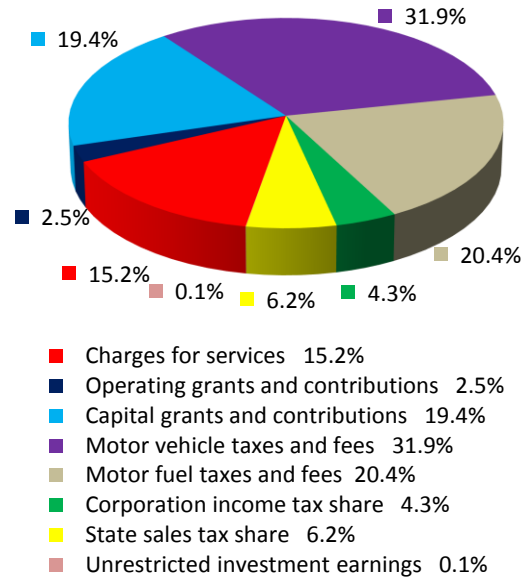
Governmental Activities	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 540,709	\$ 555,232
Operating grants and contributions	92,739	90,732
Capital grants and contributions	830,922	709,029
General revenues:		
Motor vehicle taxes and fees	1,259,743	1,166,398
Motor fuel taxes and fees	728,410	747,171
Corporation income tax share	180,653	156,758
State sales tax share	23,581	227,981
Unrestricted investment earnings	2,750	1,006
Total revenues	<u>3,659,507</u>	<u>3,654,307</u>
Expenses:		
Secretary's office	498,029	483,410
State highway administration	1,359,177	1,593,278
Port administration	115,211	107,521
Motor vehicle administration	182,839	178,529
Transit administration	864,702	1,056,590
Aviation administration	275,051	252,723
Interest on long-term debt	144,725	92,996
Total expenses	<u>3,439,734</u>	<u>3,765,047</u>
Increase (Decrease) in net assets	219,773	(110,740)
Net assets – July 1	12,862,675	12,973,415
Net assets – June 30	<u>\$13,082,448</u>	<u>\$12,862,675</u>

Below are the Department's Revenues by Source and Expenses by Function for Fiscal Years 2012 & 2011

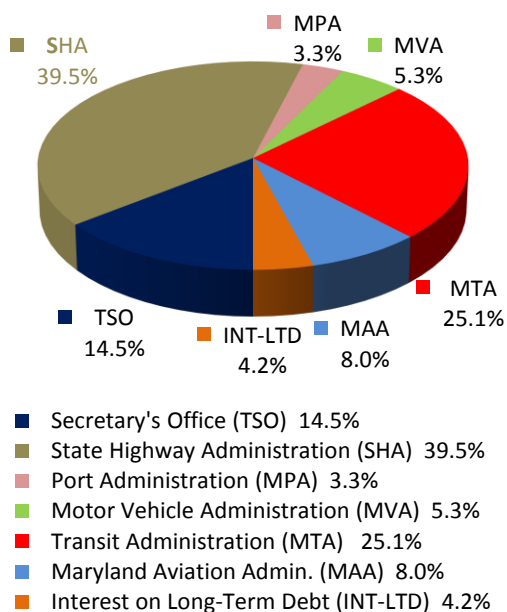
Revenue 2012



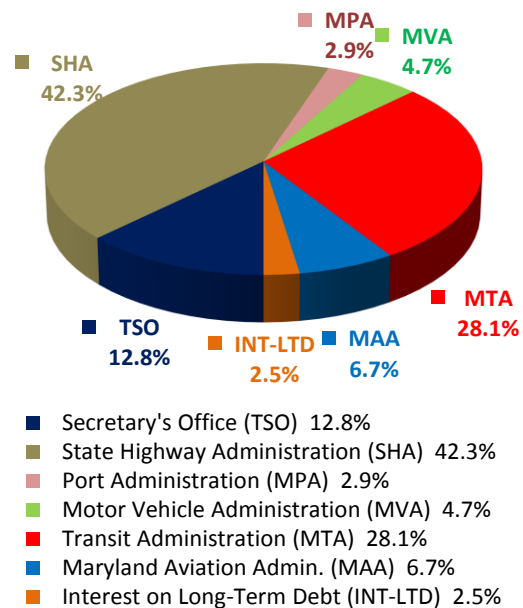
Revenue 2011



Expenses 2012



Expenses 2011



Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Department's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Department's governmental funds reported combined ending fund balances of \$227,180,000, a decrease of \$104,468,000 in comparison with the prior fiscal year. The Department's governmental funds decrease is due primarily to the continued budget restraints caused by the stagnant growth in revenues. All of the special revenue fund balance is committed, non-spendable and/or assigned fund balance and indicates that it is not available for new spending because it has already been committed and/or assigned for the following purposes: (1) to maintain a separate committed account for encumbrances in the amount of \$8,182,000; (2) to maintain a separate nonspendable account for inventory activity balances in the amount of \$86,494,000; (3) to maintain a separate nonspendable account for prepaid expenses activity balances in the amount of \$94,599,000; (4) to maintain a separate assigned account for specific agency activity balances in the amount of \$560,000; and (5) to maintain a separate assigned account for transportation programs in the amount of \$37,345,000.

The special revenue fund is the chief operating fund for the Department. As a measure of the special revenue fund's liquidity, it may be useful to compare the total fund balance of \$227,180,000 to the total Department expenditures of \$3,822,878,000. The total fund balance represents 5.9% of the total fund expenditures.

Capital Asset and Debt Administration

Capital assets

The Department's investments in capital assets for its governmental activities as of June 30, 2012, amounts to \$15,638,460,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and construction in progress. The Department's investment in capital assets increased by \$285,001,000 for the current fiscal year.

Some of the major capital asset events during the current fiscal year included the following:

- Construction continued on the expansion and upgrading of the airport facilities at Baltimore Washington International Thurgood Marshall Airport (BWI Marshall); construction in progress at BWI Marshall at the close of the current fiscal year decreased to \$78,856,000 compared to \$91,340,000 in the prior fiscal year, while MAA buildings increased by \$4,277,000 and infrastructure increased by \$36,471,000 in the current fiscal year.
- A variety of widening and/or expansion of existing and new highways and bridges were completed in fiscal year 2012; infrastructure assets for SHA at the close of the current fiscal year reached \$16,543,069,000 compared to \$15,876,460,000 in the prior fiscal year, a 4.2% increase.

- Various transit, port and motor vehicle administration construction projects began in fiscal year 2012; construction in progress for these administrations at the close of the current fiscal year was \$1,287,596,000 compared to \$1,011,242,000 in the prior fiscal year.

The following schedule reflects the Department's Capital Assets Summary.

Maryland Department of Transportation Capital Assets <i>(net of depreciation)</i> <i>(amounts expressed in thousands)</i>		
Governmental Activities	June 30, 2012	June 30, 2011
Land	\$ 2,442,743	\$ 2,420,378
Buildings and improvements	1,410,528	1,456,575
Machinery and equipment	654,414	673,634
Infrastructure	9,018,573	9,043,903
Construction in progress	2,112,202	1,758,969
Total	\$ 15,638,460	\$ 15,353,459

Additional information on the Department's capital assets can be found in note 5 of this report.

Long-term debt

At the end of the current fiscal year the Department had total bonded debt outstanding of \$1,562,630,000, and represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The following schedule reflects the Department's Outstanding Debt Summary.

Maryland Department of Transportation Outstanding Debt <i>(amounts expressed in thousands)</i>		
Governmental Activities	June 30, 2012	June 30, 2011
Consolidated transportation bonds	\$1,562,630	\$1,561,840

The Department's consolidated transportation bonds outstanding debt remained virtually unchanged. The issuance of \$161,435,000 in Refunding Series 2011 Bonds and \$115,000,000 in new debt in Series 2012 Bonds and the continued scheduled debt service principal payments made during the year kept debt outstanding relatively the same in fiscal years 2011 and 2012. The Department maintains an "AAA" rating with Standard & Poor's Corporation, an "AA+" rating with Fitch Ratings and an "Aa1" rating with Moody's Investors Services, Inc., for its consolidated transportation bonds. As provided by law, the maximum outstanding aggregate amount of Consolidated Transportation Bonds that may be outstanding is \$2,600,000,000 through June 30, 2012 and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2012 for the Department was \$1,888,995,000, which is higher than the Department's outstanding transportation-related debt. Additional information on the Department's long-term debt can be found in note 10 of this report.

Capital leases. At the end of the current fiscal year the Department had capital leases outstanding of \$562,656,000. The following schedule reflects the Department's Capital Leases Summary.

Maryland Department of Transportation
Capital Leases

(amounts expressed in thousands)

Governmental Activities	June 30, 2012	June 30, 2011
Capital leases	\$562,656	\$604,662

The Department's capital lease obligations have decreased by \$42,006,000 during the current fiscal year. This decrease is attributable to the continued scheduled capital lease payments for construction activity at the various Department's port facilities, transit facilities and aviation projects. The Department maintains an "AA+" rating with Standard & Poor's Corporation, an "Aa2" rating with Moody's Investors Services, Inc. and an "AA" with Fitch Ratings for Certificates of Participation which are included in capital lease obligations. Additional information on the Department's capital lease obligations can be found in note 9 and 10 of this report.

New Issuances

The Maryland Transportation Authority plans to issue before calendar year end 2012, approximately \$132,000,000 in Passenger Facility Charge Revenue Bonds as a conduit issuer for the Department and the Maryland Aviation Administration to finance runway improvements for the Baltimore Washington International Thurgood Marshall Airport. The Department will enter into a capital lease to rent the runway improvements and repay the Maryland Transportation Authority for bonds issued to finance the project.

Special Revenue Fund Budgetary Highlights

The Department's appropriations, between the original and final amended budget increased by \$119,098,000 for special funds and also increased by \$49,537,000 for Federal funds during the current fiscal year. The increase in special fund appropriations was due to a mid-year budget evaluation analysis throughout the Department. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual can be found on page 64 of this report.

Economic Factors and Next Year's Budgets and Rates

Maryland's economic indices showed a modest positive direction for the State this past fiscal year. The employment growth for the State of Maryland was 1.3% for the first three quarters of this year compared to 0.27% growth in 2011. The State's personal income is continuing to rise with growth of 3.8% through the second quarter of 2012. Nationally, personal income grew by 3.1% for the same period.

The recession in Maryland can now be declared over. Maryland's economy is in a recovery phase and is expected to accelerate throughout 2012 and continue in 2013. The unemployment rate, which peaked in 2010 at 7.8%, has been declining steadily and is expected to be 6.8% for 2012. The job growth has been in professional and business services, as well as, the healthcare and construction industries.

The federal government sector, normally a positive driver to Maryland's economy, represents the major downside risk to the rate of growth. Maryland's economy is heavily reliant on federal spending. The uncertainty associated with the "fiscal cliff" is the largest drag on the recovery.

Until the federal government's direction becomes clear, the outlook will remain cautiously optimistic.

During the current fiscal year, assigned fund balance for transportation programs decreased to \$37,345,000, from \$136,592,000 in the prior year primarily due to the unavailable portion of the MTA federal receivables. The total fund balance reported (before the reclassification) in the special revenue fund for fiscal year 2012 was \$297,982,000.

Requests for Information

This Comprehensive Annual Financial Report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Mr. David L. Fleming, Chief Financial Officer, Office of Finance, MDOT - Secretary's Office, 7201 Corporate Center Drive, Hanover, MD, 21076.

MARYLAND DEPARTMENT OF TRANSPORTATION
Comprehensive Annual Financial Report



BASIC FINANCIAL STATEMENTS



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MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Net Assets
June 30, 2012
(amounts expressed in thousands)

	Total Governmental Activities
ASSETS:	
Cash and cash equivalents - restricted	\$ 15,826
Taxes receivable, net	124,649
Intergovernmental receivables	358,851
Other accounts receivable	28,892
Due from other state agencies	182,326
Inventories	86,494
Prepays	117,278
Deferred charges	1,262
Capital assets (net of accumulated depreciation):	
Land	2,442,743
Buildings and improvements	1,410,528
Machinery and equipment	654,414
Infrastructure	9,018,573
Construction in progress	2,112,202
Total assets	<u>16,554,038</u>
LIABILITIES:	
Salaries payable	37,998
Accounts payable and other current liabilities	360,270
Accounts payable to political subdivisions	34,730
Due to other state agencies	15,597
Unearned revenue	136,969
Accrued interest payable	23,539
Noncurrent liabilities:	
Due within one year	227,711
Due in more than one year	2,634,776
Total liabilities	<u>3,471,590</u>
NET ASSETS:	
Invested in capital assets, net of related debt	13,360,456
Unrestricted assets	(278,008)
Total net assets	<u>\$ 13,082,448</u>

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION

Statement of Activities

For the year ended June 30, 2012

(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
			Grants and	Grants and	Changes in
		Services	Contributions	Contributions	Net Assets
					Total
					Governmental
					Activities
Governmental activities:					
Secretary's Office	\$ 498,029	\$ 5,336	\$ 8,237	\$ -	\$ (484,456)
State Highway Administration	1,359,177	38,495	21,219	620,846	(678,617)
Port Administration	115,211	52,846	-	4,763	(57,602)
Motor Vehicle Administration	182,839	4	150	57	(182,628)
Transit Administration	864,702	146,093	62,431	201,614	(454,564)
Aviation Administration	275,051	297,935	702	3,642	27,228
Interest on long-term debt	144,725	-	-	-	(144,725)
Total governmental activities	3,439,734	540,709	92,739	830,922	(1,975,364)
General revenues:					
Motor vehicle taxes and fees					1,259,743
Motor fuel taxes and fees					728,410
Corporation income tax share					180,653
State sales tax share					23,581
Unrestricted investment earnings					2,750
Total general revenues					2,195,137
Change in net assets					219,773
Net assets, July 1, 2011					12,862,675
Net assets, June 30, 2012					\$ 13,082,448

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION

Balance Sheet Governmental Funds

June 30, 2012

(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents - restricted	\$ 15,826		\$ 15,826
Taxes receivable, net	124,649		124,649
Intergovernmental receivable	358,851		358,851
Other accounts receivable	28,892		28,892
Due from other state agencies	155,813		155,813
Inventories	86,494		86,494
Prepays	94,599		94,599
Total assets	865,124	-	865,124
LIABILITIES & FUND BALANCES:			
Liabilities:			
Salaries payable	37,998		37,998
Warrants payable	58,718		58,718
Accounts payable	301,552		301,552
Accounts payable to political subdivisions	34,730		34,730
Due to other state agencies	15,597		15,597
Deferred revenue	189,349		189,349
Total liabilities	637,944	-	637,944
Fund balances:			
Committed fund balance	8,182		8,182
Nonspendable fund balance:			
Inventories	86,494		86,494
Prepaid items	94,599		94,599
Assigned fund balance:			
Agency activities	560		560
Transportation programs	37,345		37,345
Total fund balances	227,180	-	227,180
Total liabilities and fund balances	\$ 865,124	-	
Amounts reported for governmental activities in the statement of net assets are different because:			
* Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.			15,638,460
* MTA pension prepaid expense			22,679
* Energy savings asset			26,513
* Deferred charges			1,262
* Accrued interest payable on bonds and capital leases			(23,539)
* Long-term liabilities not due and payable in the current period and, therefore, are not reported in the fund financial statements, includes the following:			
Unearned revenue			52,380
Bonds payable			(1,562,630)
Capital leases			(562,656)
Pollution liability			(156,161)
MTA OPEB liability			(169,285)
Net pension liability			(149,232)
Premium on bonds not liquidated with current financial resources			(106,865)
Workers' compensation costs			(61,879)
Energy savings program liability			(60,853)
Compensated absences			(47,926)
Deferred amount on refunding bonds			15,000
Net assets of governmental activities			\$ 13,082,448

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2012

(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
REVENUES:			
Taxes:			
Motor vehicle taxes and fees	\$ 1,259,743		\$ 1,259,743
Motor vehicle fuel taxes and fees	728,410		728,410
Revenue sharing of state corporation income tax	180,653		180,653
Revenue sharing of state sales tax	23,581		23,581
Federal reimbursements	850,631		850,631
Charges for services	439,785		439,785
Passenger facility charges	46,648		46,648
Customer facility charges	13,446		13,446
Special parking revenues	38,603		38,603
Investment earnings	2,750		2,750
Other	1,608	\$ 1,873	3,481
Total revenues	3,585,858	1,873	3,587,731
EXPENDITURES:			
Current:			
Department administration, operating, and maintenance expenditures:			
Secretary's Office	96,271		96,271
State Highway Administration	207,942		207,942
Port Administration	88,459		88,459
Motor Vehicle Administration	164,038		164,038
Transit Administration	659,777		659,777
Aviation Administration	206,360		206,360
Intergovernmental:			
Highway user revenue distributions and federal fund pass-thru to local subdivisions	263,981		263,981
Washington Metropolitan Area Transit Authority Grants	386,648		386,648
Distributions to other state agencies	343,946		343,946
Debt service:			
Principal repayment		102,845	102,845
Interest		71,370	71,370
Capital outlay	1,231,241		1,231,241
Total expenditures	3,648,663	174,215	3,822,878
Excess of revenues over (under) expenditures	(62,805)	(172,342)	(235,147)
OTHER FINANCING SOURCES (USES):			
Proceeds from bonds issued	115,000		115,000
Refunding of Transportation Bonds	161,435		161,435
Premium on bonds	47,532		47,532
Payments to Refunded bond escrow agent	(193,288)		(193,288)
Capital leases	190,560		190,560
Refunding of capital leases	(190,560)		(190,560)
Debt service transfer	(172,342)	172,342	-
Total other financing sources and uses	(41,663)	172,342	130,679
Net change in fund balances	(104,468)	-	(104,468)
Fund balances, July 1, 2011	331,648	-	331,648
Fund balances, June 30, 2012	\$ 227,180	\$ -	\$ 227,180

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

June 30, 2012

(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 32)	\$(104,468)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,231,241	
Depreciation expense	<u>(940,278)</u>	
		290,963

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Unearned revenue	84,654	
Debt Issued, transportation bonds	(276,435)	
Principal repayment of bonds	275,645	
Capital lease additions	(190,560)	
Capital leases retired	232,566	
Pollution remediation	(335)	
MTA OPEB obligation	(37,108)	
State pension obligation	(27,380)	
Net Premium on bonds	(36,256)	
Workers compensation	(1,306)	
Compensated absences	109	
Accrued Interest	2,244	
Amortized deferred amount on refunding bonds	(7,404)	
Amortized deferred amount on new refunding bonds	<u>20,488</u>	38,922

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.	<u>(5,644)</u>
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Change in net assets of governmental activities (page 30)	\$ 219,773
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MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

(amounts expressed in thousands)

	Maryland Transit Administration Pension Plan Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 7,949	\$ 16,213
Investments, at fair value:		
Equity securities pool	71,205	-
Fixed income pool	32,387	-
Alternative investments pool	42,395	-
Real estate pool	11,007	-
Total investments	<u>156,994</u>	<u>16,213</u>
Contributions receivable	6,708	
Accounts receivable	2,493	5
Total assets	<u>174,144</u>	<u>16,218</u>
LIABILITIES:		
Accounts payable	<u>2,493</u>	<u>\$ 16,218</u>

NET ASSETS:

Held in trust for pension benefits	\$ 171,651
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The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

(amounts expressed in thousands)

	Maryland Transit Administration Pension Plan Trust Fund
ADDITIONS:	
Contributions from employer	\$ 32,859
Investment earnings:	
Interest income	5,921
Net decrease in fair value of investments	(3,702)
Net investment earnings	2,219
 Total additions	 35,078
 DEDUCTIONS:	
Benefits	28,638
Administrative expenses	943
Total deductions	29,581
Change in net assets	5,497
Net assets, July 1, 2011	166,154
Net assets, June 30, 2012	\$ 171,651

The notes to the financial statements are an integral part of this statement.

MARYLAND DEPARTMENT OF TRANSPORTATION
Notes to the Financial Statements
For the Year Ended June 30, 2012

1. Summary of Significant Accounting Policies:

A. Reporting entity:

The Maryland Department of Transportation (Department), a department of the State of Maryland, was established by statute in 1971. The Department is responsible for carrying out the Governor's policies in the area of transportation under statutory mandates, guidelines and constraints established by the State's General Assembly. The Department has the responsibility for most state-owned transportation facilities and programs, including planning, financing, construction, operation and maintenance of various modes of transportation and carrying out related licensing and administrative functions. The statutorily created transportation agencies included in the Department are the Maryland Aviation Administration (MAA), Maryland Port Administration (MPA), Motor Vehicle Administration (MVA), Maryland Transit Administration (MTA), State Highway Administration (SHA) and the Secretary's Office (TSO).

The accompanying financial statements include the Department, which has no component units. The Maryland Transportation Authority (Authority) is a separate entity with separate fiscal operations and management, and accordingly, is excluded from *The Financial Reporting Entity* of the Department, since it does not qualify for inclusion under Governmental Accounting Standards Board (GASB) Statement No. 14, because it is not financially accountable to the Department.

B. Government-wide and fund financial statements:

The Department's government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the government. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. The Department's governmental activities are supported primarily by taxes, intergovernmental revenues and charges for services. Fiduciary funds are excluded from the Department's government-wide and fund financial statements, as fiduciary assets are not available for the Department's use.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the fiduciary fund (Maryland Transit Administration Pension Plan Trust Fund).

C. Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized in the financial statements as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability or obligation is incurred as a result of goods or services rendered, as under accrual accounting. However, under the modified accrual basis, debt service expenditures are recorded only when payment is due. Compensated absences, retirement and workers' compensation costs and claims, judgments and other liabilities not expected to be paid with current available resources are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Motor vehicle taxes, motor vehicle fuel taxes, charges for services, Federal reimbursements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Department.

The Department collects and receives various types of motor vehicle taxes and fees. These taxes and fees consist primarily of a portion of the motor vehicle fuel taxes, motor vehicle titling taxes and motor vehicle registration fees. The Department accrues the June motor vehicle fuel taxes and titling taxes that are unremitted as of year-end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the Department in July and thereafter by merchants who collect these taxes. Expenditure-driven Federal grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met and the reimbursement funding is available from the Federal government.

The Department reports the following major governmental fund:

Special Revenue Fund:

Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue fund. The special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Department, including construction and improvement of transportation facilities and mass transit operations. Fiscal resources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a portion of the State's corporation income tax and the State's sales tax, wharfage and landing fees, fare box revenues, bond proceeds, Federal grants for transportation purposes and other receipts of the Department's agencies. The Department's unexpended balances as of year-end do not revert to the State's general fund. In addition, the various categories of transportation bonds are serviced from the resources of the Department. The particular taxes and other designated revenues are dedicated to the payment of transportation bonds and constitute the sole sources to which holders of transportation bonds may legally look for repayment.

The Department reports the following non-major governmental fund:

Debt Service Fund:

Transactions related to the resources accumulated and payments made for principal and interest on long-term transportation debt of governmental funds are accounted for in the debt service fund.

Additionally, the Department reports the following fund types:

Pension Trust Fund:

The pension trust fund accounts for the activities of the Maryland Transit Administration Pension Plan, which accumulates resources for pension benefit payments to qualified Maryland Transit Administration employees. The pension trust fund accounts for plan assets at their fair value. Additional information regarding the Maryland Transit Administration Pension Plan is included in Note 15. The accounts of the pension trust fund are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded in the fiduciary fund financial statements when earned, administrative expenses are recorded at the time the liabilities are incurred and pension benefits are recorded when paid.

Agency Fund:

The agency fund is custodial in nature and does not present the results of operations or have a measurement focus. The Department uses an agency fund to account for the receipt and disbursement of Federal grant proceeds collected by the Department for distribution to political subdivisions and the accumulation of and payment of funds for debt service issued under the alternative county transportation bond program. When both restricted and unrestricted resources are available for use, the Department's policy is to use unrestricted resources first and then restricted resources as they are needed.

D. Assets, liabilities and net assets or equity:

1. Deposits and investments:

The Department's cash on hand, demand deposits and short-term investments maturing within 90 days from the date purchased are considered as cash and cash equivalents. The Department's investments are recorded at fair value and changes in fair value are recognized as revenue. The cash and cash equivalents and investments of the Pension Trust Fund are maintained by the State Retirement and Pension System of Maryland (System) on a pooled basis. The System, in accordance with Article 73B, Section 160 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that not more than 15% of the assets that are invested in common stocks may be invested in non-dividend paying common stock. The System's investments are commingled in three combined investment funds. Two investment funds consist principally of bonds and other fixed income investments, while the other investment fund consists principally of common stocks.

2. Receivables and payables:

Amounts due to the Department from various tax revenue sharing programs are recorded as taxes receivable, while amounts due to the Department from the Federal government are reported as intergovernmental receivables. Amounts representing balances due from the Maryland Transportation Authority and the State's General Fund are reported as due from other state agencies. Amounts representing balances due to the Maryland Transportation Authority and the State's General Fund are reported as due to other state agencies. Amounts representing balances due to political subdivisions are reported as accounts payable to political subdivisions.

3. Inventories and prepaid items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets:

Capital assets, which include land, buildings and improvements, machinery and equipment, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Cost on constructed assets includes materials, labor, design and any other costs directly related to putting the asset in use. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Capital Assets	Years
Buildings and improvements	5-50
Transit vehicles and equipment	10-25
Other vehicles	3-10
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

5. Compensated absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the State. All vacation pay is accrued when earned in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and/or retirements. Principally all full-time State employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned, but unused annual leave for the Department's employees is accounted for in the government-wide financial statements.

6. Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as debt issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period the debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as operating expenditures.

7. Fund equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

E. New pronouncements:

The Governmental Accounting Standards Board (GASB) issued GASB 68, *Accounting and Financial Reporting for Pension Plans* in June 2012 effective for the year ended June 30, 2015. In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans- an Amendment of GASB No. 25*, effective for the year ended June 30, 2014. The Department will implement these statements as of their effective dates.

In March 2012, GASB issued Statement No. 66, *Technical Corrections- 2012*, effective for the year ended June 30, 2014. Also in March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ended June 30, 2014. In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision*, effective for the year ended June 30, 2013. The Department is still in the process of determining the effect of implementing these statements and the effect on the financial statements is unknown at this time.

Also in June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the year ended June 30, 2013. In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the year ended June 30, 2013. In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, effective for the year ended June 30, 2013.

Also in November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the year ended June 30, 2013. The Department will implement these statements as of their effective dates. While the Department is still in the process of determining the effects of implementing these GASB statements, they are not expected to have a material effect on the financial position of the Department.

2. Reconciliation of Government-wide and Fund Financial Statements:

The governmental fund Balance Sheet includes reconciliation between fund balance – total governmental funds and total net assets – total governmental activities as reported in the government-wide Statement of Net Assets. The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between the net change in fund balance – total governmental funds and the change in net assets of governmental activities as reported in the government-wide Statement of Activities.

3. Deposits and Investments:

As of June 30, 2012, the Department had the following investments:

(amounts expressed in thousands)

Investment Type	Fair Value 2012
Money Markets - Agency Funds	\$ 16,213
Pooled investments - Pension Trust Fund	156,994
Restricted cash and cash equivalents – Special Fund	15,826
Total investments at fair value	\$ 189,033

Interest rate risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Maryland State Treasurer policy on all of the Department's investments. The Maryland State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Maryland State Treasurer will not directly invest in securities maturing more than five years from the date of purchase. The Department followed this policy for all of its investments.

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department's policy for reducing its exposure to credit risk is to comply with the Maryland State Treasurer policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. agency obligations. These agency obligations are rated Aa1 by Moody's and AAA by Standard and Poor's. State law also requires that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by U.S. Treasuries or agencies. The money market mutual funds are rated Aaa/AAA.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Department's policy for reducing this risk of loss is to comply with the Maryland State Treasurer policy, which states the investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Other than that, there is no limit on the amount that may be invested in any one issuer.

Custodial credit risk - deposits and investments:

Custodial credit risk is the risk that, in the event of a bank failure, the Department's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Department's name. The Department does not have a formal deposit policy for custodial credit risk, but follows the Maryland State Treasurer's policy that states the Treasurer may deposit in a financial institution in the State any unexpended or surplus money in which the Treasurer has custody. As of June 30, 2012, none of the Department's bank balance was uninsured or uncollateralized; none was uninsured or collateralized with securities held by the pledging financial institution; and none were uninsured or collateralized with securities held by the pledging financial institution's trust department or fiscal agent, but not in the Department's name. The Maryland State Treasurer (i.e., law, regulation or formal policy) defines the types of securities authorized as appropriate investments for the Department and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. As of June 30, 2012 the Department reported a total of \$15,826,000 in Cash and cash equivalents – restricted on the Department's balance sheet. This amount consists of \$15,279,000 restricted cash primarily for the construction retainages related to the SHA road projects in fiscal year 2012.

The Maryland State Treasurer authorizes the Department to invest in obligations of the U.S. Treasury including bills, notes, and bonds; obligations of U.S. agencies and instrumentalities; repurchase agreements secured by an U.S. Treasury agency; instrumentality obligations or bankers' acceptances

guaranteed by a financial institution with the highest short-term debt rating by at least one nationally recognized statistical rating organization (NRSRO); commercial paper with the highest rating by at least one NRSRO; shares or certificates in a money market mutual fund as defined by the Maryland State Treasurer; and Maryland local government pooled with short-term investments.

4. Receivables and Deferred Revenue:

The Department's receivables as of June 30, 2012 for the individual funds are as follows:

(amounts expressed in thousands)

Receivables	Special Revenue	Trust & Agency	Total
Taxes receivable	\$ 124,649		\$ 124,649
Intergovernmental receivable	358,851		358,851
Other accounts receivable	28,892	\$ 2,498	31,390
Due from other state agencies	155,813		155,813
Net total receivables	\$ 668,205	\$ 2,498	\$ 670,703

The Department's Taxes receivable consist of receivables recorded at year-end for the Motor Vehicle Fuel Tax Division in the amount of \$99,289,000 and the Motor Vehicle Administration's titling tax in the amount of \$25,360,000. The Department's Intergovernmental receivables consist of receivables from the Federal government in the amount of \$353,257,000 and from the local subdivisions in the amount of \$5,594,000. The Department's other accounts receivable, of \$31,390,000; consist of miscellaneous receivables recorded at fiscal year-end across the Department.

A balance of \$43,992,000 is reported as Due from other state agencies in the Special Revenue Fund for the amount due from the State Comptroller's Revenue Administration Division for cash transfers not transferred to the Department as of June 30, 2012. Also included in Due from other state agencies is the amount \$88,473,000, for the amount due from the Maryland Transportation Authority for Passenger Facility Charge (PFC) , Customer Facility Charge and special parking revenue collections; \$9,246,000 is reported as Due from other state agencies in the Special Revenue Fund for the amount due from the Maryland Transportation Authority for the ICC project; \$14,102,000 is reported as Due from other state agencies, which is due from the Maryland Department of Budget and Management for the health benefits refund. Also included in Due from other state agencies on the Statement of Net Assets is the amount for the Department's Energy Savings Program (ESP) as of June 30, 2012, in the amount of \$26,513,000.

The Department's deferred revenue in connection with resources that have been received, but not yet earned was \$189,349,000 as of June 30, 2012. As of June 30, 2012, the Department reported deferred revenue in the governmental funds for customer prepayments of future airport services to be provided by the Maryland Aviation Administration in the amount of \$3,951,000 and the amount of \$26,123,000 for revenues collected by the State Highway Administration for advanced contract payments made by third-party vendors. As of June 30, 2012, the Department also reported deferred revenue in the governmental funds in the amount of \$88,473,000 for the balance in the MAA PFC's and Customer Facility Charge (CFC) Improvement Funds and a MTA receivable in the amount of \$70,802,000 that was not collectable within the period available therefore was not available.

5. Capital Assets:

Depreciation expense on capital assets charged to the Department's modal administration/functions in the Statement of Activities as of June 30, 2012 is as follows:

(amounts expressed in thousands)

Depreciation Expense - Governmental Activities	
Secretary's Office	\$ 4,393
State Highway Administration	686,854
Port Administration	26,084
Motor Vehicle Administration	12,824
Transit Administration	132,916
Aviation Administration	77,207
Total depreciation expense - governmental activities	\$ 940,278

The Department's Capital assets activity by asset classification, including accumulated depreciation, for the year ended June 30, 2012, was as follows:

(amounts expressed in thousands)

Capital Assets - Governmental activities	Balance July 1, 2011	Increases	Decreases	Transfers In (Out)	Balance June 30, 2012
<i>Capital Assets not depreciated:</i>					
Land	\$ 2,420,378	\$ 19,832	\$ (1,391)	\$ 3,924	\$ 2,442,743
Construction in progress	1,758,969	579,063	-	(225,830)	2,112,202
Total capital assets not depreciated	4,179,347	598,895	(1,391)	(221,906)	4,554,945
<i>Capital assets depreciated:</i>					
Building & improvements	2,462,778	18,830	(5,584)	23,444	2,499,468
Machinery & equipment	1,894,548	33,744	(32,009)	61,870	1,958,153
Infrastructure	18,833,682	579,772	-	136,592	19,550,046
Total capital assets depreciated	23,191,008	632,346	(37,593)	221,906	24,007,667
<i>Accumulated depreciation for:</i>					
Building & improvements	(1,006,203)	(84,760)	2,023	-	(1,088,940)
Machinery & equipment	(1,220,914)	(113,824)	30,999	-	(1,303,739)
Infrastructure	(9,789,779)	(741,694)	-	-	(10,531,473)
Total accumulated depreciation	(12,016,896)	(940,278)	33,022	-	(12,924,152)
Net capital assets after depreciation	11,174,112	(307,932)	(4,571)	221,906	11,083,515
Net total capital assets – governmental activities	\$ 15,353,459	\$ 290,963	\$ (5,962)	\$ -	\$ 15,638,460

6. Construction Commitments:

The Department has active construction commitments outstanding as of June 30, 2012 of approximately \$2,847,066,000, principally for construction of highway, aviation and transit projects. Approximately 40.4% of future expenditures, related to these commitments of the Department, are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining balance will be funded by other financial resources of the Department, including the issuance of long-term debt.

As of June 30, 2012, the Department's commitments with contractors are as follows:

(amounts expressed in thousands)

Construction projects	Spent-to-date	Remaining commitment
Highway construction	\$ 2,432,827	\$ 1,529,241
Port construction	439,221	199,829
Motor vehicle construction	123,461	107,469
Transit construction	1,148,948	548,574
Aviation construction	332,492	461,953
Total projects	\$ 4,476,949	\$ 2,847,066

7. Interfund Transfers:

The interfund transfers for the Department for the year ended June 30, 2012, is as follows:

(amounts expressed in thousands)

Transfers In	Transfers Out	Amount
Debt service fund	Special revenue fund	\$172,342

The purpose of this interfund transfer is to record the amount of revenue transferred from the special revenue fund to the debt service fund for debt service principal and interest payments. This transfer is reported on the Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended June 30, 2012 as a Debt service transfer under Other Financing Sources (Uses).

8. Due to Other State Agencies:

The amount reported as Due to other state agencies within the Special Revenue Fund in the accompanying balance sheet is \$15,597,000 which primarily represents the amount due to the State's General Fund for motor vehicle fuel tax that was not transferred as of June 30, 2012.

9. Operating and Capital Leases:

Operating Leases:

The Department leases office space under various agreements that are accounted for as operating leases. Rent expense under these agreements was \$3,056,000 for the year ended June 30, 2012.

The future minimum operating lease payments under these agreements as of June 30, 2012, are as follows:

(amounts expressed in thousands)

Years Ending June 30,	Operating Leases Future Minimum
2013	\$ 3,056,465
2014	2,799,185
2015	2,665,573
2016	2,374,065
2017	2,374,065
2018 – 2022	8,246,019
Total operating leases	\$ 21,515,372

Capital Leases:

The Department has entered into several lease agreements for the financing of various transportation related projects. The Department has also entered into agreements with the Maryland Transportation Authority for the financing of various aviation projects. The Department has reported obligations under capital leases of \$562,656,000 (which includes (\$35,000) that is being held by the trustee for the BC connector project) as of June 30, 2012. The Department's activity related to capital leases is included in the table in note 10 (see section titled Changes in long-term liabilities).

The Department's capital lease obligations as of June 30, 2012 are as follows:

- \$16,905,000 in obligations related to Project Certificates of Participation for the Maryland Aviation Administration Facilities, Series 2010 (refunding), issued on December 1, 2010, at annual interest rates ranging from 3.00-5.00%;
- \$12,335,000 in obligations related to Project Certificates of Participation for the Maryland Transit Administration Project, Series 2010 (refunding), issued on December 1, 2010, at annual interest rates ranging from 3.00-5.00%;
- \$6,400,000 in obligations related to Certificates of Participation for the BWI Marshall Airport Shuttle Bus Fleet Acquisition, Series 2004, issued on October 7, 2004, at annual interest rates ranging from 2.75-3.60%;
- \$21,810,000 in obligations related to Certificates of Participation for the Maryland Port Administration Facility Project, Series 2006, issued on June 14, 2006, at annual interest rates ranging from 4.25-5.25%;
- \$10,601,000 for the Maryland Transportation Authority's financing of the Port Administration's Masonville Automobile terminal at an annual interest rate of 5.5%;
- \$188,200,000 (minimum lease payments until bond proceeds are expended) for the Maryland Economic Development Corporation bond issuance for the Maryland Aviation Facilities, issued on April 3, 2003, at annual interest rates ranging from 4.5-5.5%;
- \$22,550,000 for the Maryland Economic Development Corporation bond issuances for the financing of the Department's headquarters building, original bonds issued on June 27, 2002, refunding bonds issued May 25, 2010 at annual interest rates ranging from 3.0-4.5%;
- \$184,331,000 on long-term obligations related to the financing of BWI Marshall Airport parking and roadway projects. Bonds associated with this agreement were issued by the Maryland Transportation Authority in the amount of \$264,075,000 on March 5, 2002 and refunded on April 25, 2012 with annual interest rates ranging from 4.0 - 5.0%; the total liability is \$190,560,000 (less monies MDTA and/or the trustee is holding);
- \$96,404,000 on long-term obligations related to the financing of BWI Marshall Airport Consolidated Rental Car Facility. Bonds associated with this agreement were issued by the Maryland Transportation Authority in the amount of \$117,345,000 on June 18, 2002 at annual interest rates ranging from 2.74-6.65%; the total liability is \$101,440,000 (less monies held by MDTA and/or trustee);
- \$3,155,000 on long-term obligations related to the financing of BWI Marshall Airport's various airport improvement projects. Variable rate demand bonds were issued by the Maryland

Transportation Authority in the amount of \$69,700,000 on December 16, 2003 at a variable interest rate. As of June 30, 2012, the interest rate was 0.17% per annum; the total liability is \$22,000,000 (less monies MDTA and/or the trustee is holding);

- \$50,905,000 minimum payments, for the financing of certain airport facilities project located at B WI Marshall Airport including construction of a connector hallway between Concourse B and C. Bonds were issued by Maryland Transportation Authority on April 25, 2012 in the amount of \$50,905,000 at annual interest rates ranging from 4.0 - 5.0%; however, no funds have been drawn on this lease as of June 30, 2012.

As bond proceeds are spent for construction, the Department's liability (or minimum payments) and related capital assets will increase, accordingly. Once construction is completed, the Construction in Progress asset will become a Building or Infrastructure asset.

The future minimum capital lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

<i>(amounts expressed in thousands)</i>	
Years ended June 30,	Amount
2013	\$ 68,550
2014	71,794
2015	60,531
2016	60,522
2017	59,140
2018-2022	281,703
2023-2027	243,377
2028-2032	110,509
2033-2037	8,788
Total minimum lease payments	964,915
Less: amount representing interest	(321,208)
Less: funds held by bond trustee	(81,050) (a)
Present value of minimum lease payments	\$ 562,656

- (a) The reduction shown in the amount of \$81,050,000 are monies held by the bond trustee on behalf of the Maryland Transportation Authority to be used primarily for construction expenditures.

The capital assets acquired through capital leases as of June 30, 2012 are as follows:

<i>(amounts expressed in thousands)</i>	
Capital Asset	Amount
Construction in progress	\$ 111,676
Land and improvements	16,266
Buildings and improvements	773,060
Machinery and equipment	58,922
Infrastructure	285,077
Total acquired capital assets	1,245,001
Less: accumulated depreciation	(343,622)
Total capital assets – net	\$ 901,379

10. Long-term Liabilities:

Transportation bonds:

The Department issues Consolidated Transportation Bonds to provide funds for the acquisition and construction of major capital facilities. Consolidated Transportation Bonds are limited obligations issued by the Department for highway, port, airport, rail or mass transit facilities or any combination of such facilities. The principal must be paid within 15 years from the date of issue. As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$2,600,000,000 through June 30, 2012 and thereafter. The aggregate principal amount of those bonds that were allowed to be outstanding as of June 30, 2012 was \$1,888,995,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2012 was \$1,562,630,000. Consolidated Transportation Bonds are paid from the Debt Service Fund.

The Department's Transportation Bonds outstanding as of June 30, 2012, were as follows:

<i>(amounts expressed in thousands)</i>		
	Interest Rates	Amount
Consolidated Transportation Bonds - due serially through 2027 – for state transportation activity	2.0-5.5%	\$1,375,055
Consolidated Transportation Bonds, refunding – due serially through 2019 – for state transportation activity	5.0%	187,575
Total consolidated transportation bonds		\$1,562,630

Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax credited to the Department. These amounts are applicable to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment. Under the terms of authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued provided, among other conditions, that (i) total receipts (excluding Federal funds for capital projects, bond and note proceeds and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and (ii) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all consolidated transportation bonds outstanding and to be issued.

On October 20, 2011, the Department issued \$161,435,000 of refunding consolidated transportation bonds Series 2011, with a net premium \$32,131,000 to affect an advance refunding for consolidated transportation bonds Series 2004. The refunding bonds are dated October 20, 2012, with maturities ranging from May 1, 2015 to May 1, 2019 at an interest rate of 5.0%. The net proceeds of these refunding bonds were used to purchase US Government Securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and liability for those bonds has been extinguished. The aggregate difference in debt service between the refunded debt and refunding debt is \$14,563,000. The economic gain on the transaction is \$13,599,000. As of June 30, 2012, the Department has \$172,800,000 of defeased debt outstanding.

On June 7, 2012, consolidated transportation bonds in the amount of \$115,000,000 were issued by the

Department with a net premium of \$15,401,000. These bonds are dated May 23, 2012 with maturities ranging from June 1, 2015 to June 1, 2027 at an interest rate ranging from 2.0-5.0%.

Annual debt service requirements to maturity for transportation bonds in future years are as follows:

(amounts expressed in thousands)

Year Ending June 30,	Transportation Bonds- Principal	Consolidated Transportation Bonds-Interest	Total Transportation Bond Debt Service Requirements
2013	\$ 109,340	\$ 70,968	\$ 180,308
2014	130,620	65,619	196,239
2015	152,415	59,559	211,974
2016	158,995	52,488	211,483
2017	175,060	44,705	219,765
2018-2022	606,370	121,586	727,956
2023-2027	229,830	17,185	247,015
Total	\$ 1,562,630	\$ 432,110	\$ 1,994,740

Changes in long-term liabilities:

The Department's long-term liability activity for the year ended June 30, 2012, is as follows:

(amounts expressed in thousands)

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Due Within One Year
Governmental activities:					
Transportation bonds*	\$1,561,840	\$ 276,435	\$(275,645)	\$ 1,562,630	\$ 130,620
Capital leases*	604,662	190,560	(232,566)	562,656	38,021
Pollution obligations	155,826	335	-	156,161	-
MTA OPEB obligations	132,177	37,108	-	169,285	-
State Pension obligations	121,853	27,379	-	149,232	-
Premium on bonds*	70,609	47,532	(11,276)	106,865	8,760
Worker's compensation costs	60,573	16,614	(15,308)	61,879	9,591
ESP obligations*	49,629	11,224	-	60,853	2,854
Compensated absences	48,035	30,407	(30,516)	47,926	30,461
Less: Deferred amount on refunding bonds*	(1,916)	(20,488)	7,404	(15,000)	7,404
Total long-term liabilities – governmental activities	\$2,803,288	\$ 617,106	\$(557,907)	\$ 2,862,487	\$ 227,711

Note: * These items are combined for the net related debt calculation on the Statement of Net Assets section entitled Net Assets - Invested in capital assets, net of related debt.

The additions for capital leases were related to new debt issued for the refunding the 2002 parking obligation. The interest savings for the Department on this transaction was \$16,125,000.

The additions to ESP obligations in the amount of \$11,224,000 were related to the new debt issued for MPA through the Maryland State Treasurer's Office (MSTO) for the energy savings program. The MSTO negotiated financing in the amount of \$55,453,000; certain agencies have a Maryland Energy Administration State Agency Loan Program (SALP) loan totaling \$5,400,000. The current portion that is due within one year is the principal due to the MSTO in the amount of \$2,653,000 and the agencies SALP portion in the amount of \$201,000; see footnote 21 for additional program details.

The Department's long-term liabilities, other than consolidated transportation bonds, are generally liquidated through the special revenue fund. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2012.

11. Risk Management and Insurance:

Workers' Compensation:

The Department is self-insured for workers' compensation liabilities. The Department's workers' compensation self-insured liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation costs are based upon separately determined actuarial valuations for the fiscal year ended June 30, 2012.

The Department's workers' compensation self-insurance program is administered by the Injured Worker's Insurance Fund under a contract which requires that the Department pay premiums based upon loss experience plus a proportionate share of administrative costs. In the event of termination of the contract, the Department is obligated for any premium deficiency at the time of termination. The Department's accrued workers' compensation costs, as of June 30, 2012, were \$61,879,000.

The activity related to accrued workers' compensation costs is included in the table in note 10 (section titled Changes in long-term liabilities). Changes in the balances for the Department's workers' compensation liability during the past two fiscal years are as follows:

<i>(amounts expressed in thousands)</i>		
	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
Unpaid claims, beginning of fiscal year	\$60,573	\$58,620
Incurring claims and changes in estimates	16,614	15,940
Claim payments	(15,308)	(13,987)
Total unpaid claims, end of fiscal year	\$61,879	\$60,573

Insurance:

The operations of the Department's Maryland Aviation, Maryland Port and Maryland Transit Administrations are covered by commercial liability insurance policies and many claims are handled by the Department's insurance carriers. The Maryland Aviation Administration's two facilities, Baltimore Washington International Thurgood Marshall Airport and Martin State Airport, are covered by an airport owners and operators general liability insurance policy providing coverage per occurrence up to \$500,000,000 for bodily injury and property damage. This policy also contains a control tower liability endorsement that provides coverage for an occurrence arising out of the direct operation of the control tower at Martin State Airport. This policy no longer contains the war, hi-jacking and other perils endorsement due to the events of September 11, 2001. This endorsement is available for buy back for an additional premium.

The Maryland Port Administration's liability insurance policies, including excess liability policies, provide insurance up to \$150,000,000 per occurrence for its port operations. These policies cover liability for both injury and property damage.

The Maryland Transit Administration's (MTA) operations are covered by \$495,000,000 in excess liability insurance over and above the MTA's \$5,000,000 self-insurance retention. For CSX and Amtrak commuter service, the MTA has purchased insurance to cover its contractual obligations. The insurance provides coverage for excess liability claims of \$5,000,000 to \$495,000,000; claims under \$5,000,000 are self-insured by the Department. However, to comply with the provisions of the operating agreement with CSX, the MTA has entered into a \$5,000,000 standby letter of credit against which CSX may draw in the event claims exceed, in the aggregate for an occurrence, the amount of \$250,000. No claims were made against the letter of credit during the current fiscal year. In addition, the excess liability policies provide punitive damages liability coverage and Federal Employee Liability Act coverage to CSX arising from commuter rail operations for claims ranging from \$5,000,000 to \$495,000,000.

The amount of any settlements, within the Department, did not exceed the insurance coverage in each of the past three fiscal years. For those areas not covered by purchased insurance, the State Treasurer has a program of self-insurance for tort claims. By statute, bodily injury, personal injury or property damages are limited to claims of \$200,000 per claimant under the established self-insurance program.

12. Related Party Transactions:

Various State of Maryland agencies provide services for the Department for which they are reimbursed from the Department. During fiscal year 2012, such reimbursements are reflected as Distributions to other state agencies in the Special Revenue Fund.

13. Contingent Liabilities:

The Department is involved in numerous lawsuits arising in the normal course of its operations, including actions commenced and claims asserted against the Department for alleged property damage, personal injury, breaches of contract or other alleged violations of law. Additionally, the Department is currently involved in certain legal proceedings relative to a case concerning unreasonable discrimination and mass transit accident cases concerning train passenger injuries or death. In the opinion of Department officials, based on the advice of the Attorney General, such matters are covered by insurance or otherwise would not have a materially adverse effect on the Department's financial position as of June 30, 2012. Also, the Department believes no material exposure from unasserted claims exists as of June 30, 2012.

14. Other Postemployment Benefits (OPEB):

State Employee and Retiree Health and Welfare Benefits Program of Maryland:

Plan Description:

The members of the Maryland State Retirement, Pension and Law Enforcement Officers' Systems and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (OPEB Plan). The OPEB Plan is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The OPEB Plan is self-insured to provide medical, hospitalization, prescription drugs and dental insurance benefits to eligible State employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary of DBM shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

Effective June 1, 2004, the State of Maryland established the Postretirement Health Benefits Trust Fund (OPEB Trust) as a separate entity to receive appropriated funds and contributions which will be used to assist the OPEB Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is established in accordance with the State Personnel and Pensions Article, Section 34-101, of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pension System. Financial statements of the OPEB Trust may be obtained from the Office of the Maryland Comptroller, Treasury Building, Annapolis, MD 21401. A separate valuation is not performed by the Department. The Department's only obligation to the OPEB Plan is its required annual contribution.

Funding Policy:

The contribution requirements of the OPEB Plan members and the State are established by the DBM Secretary. Each year the DBM Secretary recommends to the Maryland Governor the State's share of the costs of the OPEB Plan. Beginning in fiscal year 2008, Maryland State law requires DBM to transfer any subsidy received as a result of the Federal Medicare Prescription Drug Improvement Act of 2003 or a similar subsidy to the OPEB Trust to prefund the costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget to transfer to the OPEB Trust.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with a least five years of creditable service, ended State service with a least 10 years of creditable service and within five years before the age at which a vested retirement allowance normally would begin or ended State service with a least 16 years of creditable service. Based on current practice, the State subsidizes approximately 50 to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The OPEB Plan is a cost sharing plan with the State of Maryland and assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for current employees. The Department's share of these retirees health insurance costs were \$24,526,000 for the year ending June 30, 2012 and was included in the health care costs allocated to all participating employers.

The Schedule of Employer Contributions for the OPEB of the Maryland Department of Transportation Plan is as follows:

<i>(amounts expressed in thousands)</i>					
Fiscal Year	Annual	Annual	Net OPEB	Percentage	
Ended June 30,	Required	Contribution	Obligation	Contributed	
Contributed	Paid				
2010	\$ 18,326	\$ 18,326	\$ -	100.0 %	
2011	17,670	17,670	-	100.0	
2012	24,526	24,526	-	100.0	

Maryland Transit Administration Pension Plan - OPEB:

Plan Description:

The members of the Maryland Transit Administration Pension Plan are provided post employment health care benefits through the State Employee and Retiree Health Plan or the MTA Health Plan. The MTA currently funds retirees' health care cost on a pay-as-you-go basis. As retirees incur expenses, the MTA pays out funds based on the appropriate benefit structure. The MTA does not currently have a separate fund set aside to pay health care costs. The MTA provides health care coverage for over 1,400 retirees. Retirees make the same contributions as active employees; however, Medicare contributions are handled separately.

Funding Policy:

The Department is required by law to provide funding each year to the OPEB Plan for the Department's share of the pay-as-you-go amount necessary to provide current benefits to retired employees and their dependents. The MTA healthcare benefits including Medical (PPO or HMO), prescription drug, dental and vision plans are provided to retirees meeting the following eligible criteria:

1. Age 65 with 5 years of service
2. Age 52 with 30 years of service
3. Age 55 with a least 30 years of service, including military and other qualifying service credits
4. Disabled with 5 years of service
5. Surviving spouse subsidized benefit for 3 years

Annual OPEB Costs and Net OPEB Obligation:

The Department's annual OPEB cost, related to the MTA Pension Plan, is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Retirement Employment other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities over a period not to exceed 30 years.

The annual OPEB cost and net OPEB obligation for the Maryland Transit Administration Pension Plan as of June 30, 2012 was:

<i>(amounts expressed in thousands)</i>	
Annual Required Contribution (ARC)	\$ 55,852
Interest on OPEB obligations	5,948
Adjustment to the OPEB cost	(9,589)
Annual OPEB cost	52,211
Contributions made in current fiscal year	(15,103)
Increase in OPEB obligation	37,108
Net OPEB obligation beginning of year	132,177
Net OPEB obligation end of fiscal year	\$ 169,285

The three-year historical trend information for the Maryland Transit Administration Pension Plan is as follows:

<i>(amounts expressed in thousands)</i>					
Fiscal Year Ended June 30,	Annual OPEB Cost	Annual		Net OPEB Obligation	Percentage Contributed
		Contribution Paid			
2010	\$ 44,200	\$ 10,900		\$ 97,600	24.7 %
2011	48,807	14,230		132,177	29.2
2012	52,211	15,103		169,285	28.9

Funded Status and Funding Progress:

The funded status of the OPEB Plan for the Maryland Transit Administration Pension Plan is as follows:

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	Percentage of UAAL over Covered Payroll
7/1/2007	\$ -	\$411,400	\$411,400	\$144,775	284.2 %
6/30/2009	-	431,500	431,500	151,560	284.7
6/30/2011	-	527,679	527,679	147,474	357.8

Actuarial Methods and Assumptions:

An actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future.

A projection of benefits for financial reporting purposes are based on the substantive plan and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial method and significant assumptions listed below were used in the actuarial valuation of the OPEB Plan for the Maryland Transit Administration Pension Plan as of June 30, 2012, is as follows:

Actuarial Cost Method:	Entry Age Normal, Level Dollar
Asset Valuation Method:	N/A
Amortization Method:	Level dollar
Status of Period (open or closed):	Closed
Remaining Amortization Period:	22 years as of June 30, 2012
Rate of Return on Investments:	4.50%
Projected Inflation Rate:	3.50%
Projected Post-retirement Cost Rate:	Medical/Prescriptions 6.40% in FY2012 and increasing to 8.00% in FY2013 Dental/Vision: 5.00% for all future years

15. Retirement Systems and Pension Plans:

State Retirement and Pension System of Maryland:

The Department contributes to the State Retirement and Pension System of Maryland (System), established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of various participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. While the System is an agent multiple-employer public employee retirement system, the Department accounts for the plan as a cost sharing multiple-employer public employee retirement system as a separate valuation is not performed for the Department and the Department's only obligation to the plan is its required annual contributions. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. Consequently, the System is accounted for as a single plan as defined in GASB Statement No.25,

Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans. The System is considered part of the State's financial reporting entity, and is not considered part of the Department's reporting entity. The System prepares separate audited Financial Statements, which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Suite 1600, Baltimore, MD 21202.

Plan description:

The System is administered in accordance with State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the Board of Trustees for the System. All State employees, with the exception of employees covered by the Maryland Transit Administration Pension Plan, and employees of the participating entities are covered by the plans.

“Retirement System” – retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

“Pension System” – retirement programs for employees and teachers hired after January 1, 1980, and prior employees who have elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after completing 5 years of service. A member terminating employment before attaining retirement age but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member lives to age 60 (age 62 for the Pension System, age 50 for State Police) and does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60 or completing 30 years of service credit, regardless of age. Members of the Pension System may retire with full benefits after attaining age 62 or after completing 30 years of service credit, regardless of age. State police members may retire with full benefits after attaining age 50 or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50 or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System members is equal to $1/55$ (1.8%) of a member's highest three-year average salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. Legislation enacted during the 1998 legislative session changed certain provisions of the Pension System and provided for a Contributory Pension System and a Non-Contributory Pension System. A member of the Contributory Pension System will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive-year average salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.4% of the highest three-consecutive-year average salary multiplied by the number of years of service credit after July 1, 1998. The annual benefit for the Non-Contributory Pension System member is equal to 0.8% of the member's highest three-consecutive-year average salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security wage base. A member of either Pension System may retire with reduced benefits after attaining age 55 and completing 15 years of credited service.

On April 25, 2006, new legislation was enacted with an effective date of July 1, 2006, that enhanced the pension benefits for active members, as of June 30, 2006, of the Pension System. According to the State Employees and Teacher's Pension Enhancement Benefit Act of 2006, the annual service retirement allowance remains equal to 1.2% of average final compensation times service credit to June 30, 1998 and increases to 1.8% of average final compensation times service credit from July 1, 1998 forward.

Funding policy:

The Department's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The aggregate entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages (7.0% or 5.0% depending on the retirement plan selected). Members of the Contributory Pension System are required to contribute to the System 5.0% of their regular salaries and wages. Members of the Non-Contributory Pension System are required to contribute to the System 5.0% of their regular salaries and wages that exceeds the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 4.0% of their earnable compensation to the System. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

Beginning July 1, 2011, the General Assembly enacted pension reforms affecting both current active members and new hires. The member contribution rate was increased for members from 4% to 6% in fiscal year 2012 and 7% in fiscal year 2013 and beyond for members of the Law Enforcement Officers' Pension System. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation (currently 7.75%). There were also changes to the provisions for members hired on or after July 1, 2011. The actuarial valuation as of June 30, 2012 was the first valuation which included members covered under the Reformed Benefit Plans applicable to members hired on or after July 1, 2011.

The contribution requirements of the System members and the Department are established and may be amended by the Board of Trustees for the System. The Department made its contribution during the fiscal years ended June 30, 2012, 2011 and 2010 of \$38,671,000, \$37,687,000 and \$32,987,000, respectively, which represented 58.5%, 60.3%, and 65.5%, respectively; of the required contributions for the Department. As of June 30, 2012, since the Department did not make the total contribution required by the State, cumulative the Department has an obligation of \$149,232,000, which includes the interest accrual on the unpaid contribution amount. The Department has reported this obligation for required contributions related to employee services that have not been made to the cost-sharing plan.

The three-year historical trend information for the Department's portion of the State Retirement and Pension System of Maryland is as follows:

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Annual Pension Cost	Annual Contribution Paid	Net Pension Obligation	Percentage of Required Contributions
2010	\$ 50,368	\$ 32,987	\$ 97,019	65.5 %
2011	62,521	37,687	121,853	60.3
2012	66,050	38,671	149,232	58.5

Maryland Transit Administration Pension Plan:

Plan description:

The Maryland Transit Administration Pension Plan (Plan) is a single employer noncontributory plan that covers all Maryland Transit Administration (MTA) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Plan is part of the Department's financial reporting entity and is included in the Department's financial statements as a Pension Trust Fund. The Plan prepares separate audited Financial Statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202. The Plan is administered and funded in compliance with the collective bargaining agreements, which established the Plan.

The Plan provides retirement (normal and early), death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4-1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service. Benefit provisions are established and may be amended through the collective bargaining agreement.

As of June 30, 2012, membership total (4,923) in the Plan includes 1,568 retirees and beneficiaries currently receiving benefits, 456 terminated members entitled to but not yet receiving benefits and 2,899 current active members. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5% or more of total Plan assets. For the year ended June 30, 2012, the Administration's covered and total payroll was \$152,276,000.

Summary of significant accounting policies – basis of accounting and valuation of investments:

As a part of the Pension Trust Fund, the accounts and financial statements of the Plan, including benefits paid, contributions, and refunds are maintained and prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The Department's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All Plan investments are reported at fair value, which is determined by the State Retirement and Pension System of Maryland based on securities data. Investment expenses are not readily separable from the investment income or the general administrative expenses of the Plan.

Funding policy:

The MTA's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan. Employer contributions to the Plan totaling \$32,859,000 (21.6% of covered payroll) for fiscal year 2012 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2012. This amount consisted of \$4,869,000 normal cost and \$27,990,000 amortization of the actuarial accrued liability (3.2% and 18.4%, respectively, of covered payroll). The collective bargaining agreement is the authority under which the obligation of the employer to contribute to the Plan is established or amended. The liquidation period for the unfunded actuarial accrued liabilities (as provided by law) is 8 years from June 30, 2012. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the net pension obligation. The computation of the annual required contribution requirements for fiscal year 2012 was based on the same actuarial

assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Costs and Net Pension Obligation:

The MTA's annual pension cost for the fiscal year ended June 30, 2012 was \$32,859,000. The Administration contributed 100% of the annual pension cost to the Plan, for the fiscal year ended June 30, 2012. The Department's fiscal year 2012 required contribution was determined as a part of an actuarial valuation as of June 30, 2012 using the entry age normal actuarial cost method. The annual pension cost and net pension obligation for the Maryland Transit Administration Pension Plan as of June 30, 2012 was:

<i>(amounts expressed in thousands)</i>	
Annual Required Contribution (ARC)	\$ 34,617
Interest on net pension asset	(1,758)
Annual Pension Cost	32,859
Contributions made in current fiscal year	32,859
Increase (Decrease) in NPO	-
Net pension obligation/ (asset) July 1, 2011	(22,679)
Net pension obligation/ (asset) June 30, 2012	\$(22,679)

The three-year historical trend for the Maryland Transit Administration Pension Plan is as follows:

<i>(amounts expressed in thousands)</i>				
Fiscal Year	Annual	Annual	Net Pension	Percentage
Ended June 30	Pension Cost	Contributions Paid	Obligation/(Asset)	Contributed
2010	\$ 26,151	\$ 37,761	\$ (9,079)	144.4 %
2011	33,928	47,528	(22,679)	140.1
2012	32,859	32,859	(22,679)	100.0

Funded Status and Funding Progress:

The funded status for the Maryland Transit Administration Pension Plan is as follows:

<i>(amounts expressed in thousands)</i>						
Actuarial	Actuarial	Actuarial	Unfunded			Percentage of
Valuation	Value of	Accrued	Actuarial Accrued	Funded	Covered	UAAL over
Date	Assets	Liability	Liability (UAAL)	Ratio	Payroll	Covered Payroll
6/30/2010	\$ 162,756	\$ 426,041	\$ 263,285	38.2 %	\$ 145,029	181.5 %
6/30/2011	187,918	433,637	245,719	43.3	147,474	166.6
6/30/2012	200,260	451,288	251,029	44.4	152,276	164.9

The complete Schedule of Funding Progress for the Plan, reported in the RSI section of this report, presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There were no changes in actuarial assumptions or benefit provisions during fiscal year 2012. The significant actuarial assumptions listed below were used for the Plan.

Actuarial Cost Method:	Entry Age Normal, Level Dollar
Asset Valuation Method:	Five Year Open Period Smoothing (Market Value vs. Expected Actuarial Value)
Amortization Method:	Level Dollar (years depends on type of base)
Rate of Return on Investments:	7.75%
Projected Rate of Salary Increase:	3.50% - 9.50%
Projected Inflation Rate:	3.50%
Remaining Amortization Period:	12.9 years weighted average
Status of Period (Open or Closed):	Closed

16. Federal Revenue:

Federal revenue consists principally of grants from the Federal Transit Administration for rail and bus projects for the Baltimore region and from the Federal Highway Administration in connection with highway construction projects. In addition, the Department receives Federal grants to aid in planning, design and construction of transportation facilities and to support the mass transit operations. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Department. As of June 30, 2012, the Department estimates that no material liabilities will result from such audits.

17. Passenger Facility Charges:

In July 1992, the Federal Aviation Administration (FAA) approved an application of the Maryland Aviation Administration (MAA) to impose a \$3.00 passenger facility charge (PFC) at BWI Marshall Airport (Airport). The MAA and the Maryland Transportation Authority (Authority) entered into an Agreement on Financing Airport Facilities Projects at BWI Marshall Airport, dated as of October 1, 1994, (the Airport Agreement), whereby the Authority, subject to certain conditions, has agreed to finance the airport facilities projects and has designated the MAA as its agent for development, design, operation, insurance, security and maintenance of the airport facilities projects. The Authority recovered the costs of financing these projects through the assignment of PFC receipts.

On June 10, 2003, the remaining outstanding bonds to finance these projects were defeased and then retired on July 1, 2004. An additional \$1.50 PFC was approved by the FAA and was imposed on June 1, 2002. The combined total of \$4.50 PFC was applied to the costs of financing these projects and additional aviation projects approved by the FAA on September 17, 2002. During December 2003, the MAA and the Authority entered into an agreement whereby the Authority has agreed to finance the additional PFC-approved airport facility projects (see note 9 Operating and Capital Leases). These agreements with the Authority are treated like capital leases and are reported on the Department's Balance Sheet as Due from other agencies.

18. Rent Revenue:

The Department leases terminal space at various marine terminals (including the Seagirt Marine Terminal), airport facilities and office space in the World Trade Center building, Baltimore, Maryland, pursuant to various operating leases. The Department's total minimum future rental revenues totaled \$1,003,256,000 as of June 30, 2012 and do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenues collected included in operations were approximately \$167,690,000 for the year ended June 30, 2012. Assets of the Department under lessor operating lease agreements, totaling \$1,528,533,000 are included in the Capital assets, net of accumulated depreciation in the amount of \$720,390,000 on the Statement of Net Assets.

Minimum future rental revenues for the Department are as follows:

(amounts expressed in thousands)

Year Ending June 30,	Operating Leases Minimum Future Rental Revenues
2013	\$ 124,171
2014	124,017
2015	123,850
2016	118,920
2017	118,142
2018-2022	394,156
Total	\$ 1,003,256

19. Fund Balances:

The Department's Balance Sheet for the reservation of fund balance includes the following categories: (1). Nonspendable fund balance (which includes inventory of supplies and prepaid items), (2). Restricted fund balance (like for debt service items), (3). Committed fund balance (like for encumbrances), and (4). Assigned fund balance (like for loans receivable, agency activities and other function related activities) for Special Revenue funds within the Department. The Department reported the following fund balances on the Department's Balance Sheet on page 31 as follows:

Nonspendable fund balance is reported for a portion of the Special Revenue Fund balance in the amount of \$86,494,000 that is for inventories of supplies, while the amount of \$94,599,000 is recorded for prepaid items as of June 30, 2012.

Committed fund balance is reported for the Department's encumbrance balance in the amount of \$8,182,000, as of June 30, 2012. Assigned fund balance was reported by the Department in the amount of \$560,000 as of June 30, 2012 and represents non-budgeted agency activities. The amount that represents the balance in the Department's Transportation Trust Fund for future transportation programs is \$37,345,000 as of June 30, 2012.

20. Pollution Remediation Obligations:

The Department has recognized a pollution remediation obligation on the Statement of Net Assets for governmental activities. A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement, and post remediation monitoring. Obligating events that initiate the recognition of a pollution remediation liability include any of the following: (a) There is an imminent and substantial endangerment to the public; (b) The Department is in violation of a pollution prevention related permit or license; (c) The Department is identified as a responsible party or potentially responsible party by an environmental regulator; (d) The Department is named or has evidence that it will be named in a lawsuit to participate in pollution remediation; or (e) The Department voluntarily commences, or legally obligates itself to commence, cleanup activities, monitoring or operations and maintenance of pollution remediation efforts.

The pollution remediation obligation is an estimate and subject to change resulting from price increases or reductions, technology advances or from changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components

of a liability are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur and as remediation is implemented and monitored. The measurement of the liability is based on the current value of outlays to be incurred using the expected cash flow technique. This technique measures the sum of probability-weighted amounts in a range of possible potential outcomes – the estimated mean or average.

The Department's pollution remediation liability for the fiscal year ended June 30, 2012, is estimated to be \$667,446,000 for cleanup projects at the Maryland Port, Maryland Transit and State Highway Administrations with approximately \$511,285,000 of expected recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure, and replacement of buildings as a result of contaminations by hazardous materials under Federal and State law. In these cases, either the Department has been named in a lawsuit by a State Regulator or the Department has legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland. These cost estimates for the Department's pollution remediation, due to site contamination from hazardous materials, are based on engineering design estimates. The estimated long-term costs that the Department may be responsible for over the next 15 years include: various cleanup projects related to an SHA Maintenance Facility and former SHA Laboratory, various cleanup projects related to several MTA construction sites and projects related to cleanup of underground hazardous substances at one of the MPA's marine terminals. The MPA is only responsible for 23% of the total remediation costs. The Department did not incur any significant costs to reduce the liability or identify any new technology that would change the liability during the current fiscal year ended June 30, 2012.

21. Energy savings program (ESP):

The Department of General Services (DGS) has implemented an Energy Performance Contracting program, with a goal to reduce Maryland's energy consumption through energy efficiency projects. Once the scope and costs of the projects are negotiated, the Maryland State Treasurer's Office secures the financing required to fund the construction of the improvements. These projects improve energy efficiency whereby the costs of the services are paid from savings generated by the project.

As of June 30, 2012, ESP projects were implemented by the Maryland Aviation Administration, the Maryland Transit Administration, the State Highway Administration and Maryland Port Administration. The activities of the ESP for the fiscal year ended June 30, 2012, are included on the Department's Statement of Net Assets as Due from other state agencies in the amount of \$26,513,000, Construction in progress of \$34,340,000 and total expenditures of \$27,948,000 for the fiscal year ended June 30, 2012. As of June 30, 2012, the total amount of long-term liability for ESP obligations is \$60,853,000.

22. Subsequent events:

On October 31, 2012, the Maryland Economic Development Corporation (MEDCO) issued refunding bonds, Maryland Economic Development Corporation Lease Revenue Refunding Bonds (Maryland Aviation Administration Facilities) Series 2012, in the amount of \$199,555,000. The annual interest rate on these bonds fluctuates from 0.3% to 3.81% and the final maturity is June 1, 2030. The Department realized a gross savings between the Maryland Aviation Administration and MEDCO of \$34,948,000 as a result of this sale.

**Maryland Department of Transportation
Comprehensive Annual Financial Report**



REQUIRED SUPPLEMENTARY INFORMATION

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Funding Progress
Maryland Transit Administration OPEB Plan
(amounts expressed in thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability - Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll
2007	\$ 0	\$ 411,400	\$ 411,400	0 %	\$ 144,775
2009	0	431,500	431,500	0	151,560
2011	0	527,679	527,679	0	147,474

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions
Maryland Transit Administration OPEB Plan
(amounts expressed in thousands)

Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Percentage of Required Contributions
2008	\$ 41,400	\$ 9,700	23.4 %
2009	43,900	10,100	23.0
2010	45,500	10,900	24.0
2011	51,268	14,230	27.8
2012	55,852	15,103	27.0

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Funding Progress
Maryland Transit Administration Pension Plan
(amounts expressed in thousands)

Actuarial Valuation date June 30	Actuarial Value of Assets	Actuarial Accrued Liability- Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll
2003	\$ 86,642	\$ 234,460	\$ 147,818	37.0 %	\$ 128,393	115.1 %
2004	95,219	260,422	165,203	36.6	126,169	130.9
2005	101,810	261,536	159,726	38.9	121,415	131.6
2006	112,230	300,869	188,639	37.3	128,806	146.5
2007	124,496	322,597	198,101	38.6	135,098	146.6
2008	136,294	326,988	190,694	41.7	144,775	131.7
2009	143,320	337,668	194,348	42.4	151,560	128.2
2010	162,756	426,041	263,285	38.2	145,029	181.5
2011	187,918	433,637	245,719	43.3	147,474	166.6
2012	200,260	451,288	251,028	44.4	152,276	164.9

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contribution
Maryland Transit Administration Pension Plan
(amounts expressed in thousands)

Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Percentage of Required Contribution
2003	\$ 16,545	\$ 16,545	100.0 %
2004	19,187	19,187	100.0
2005	19,695	19,695	100.0
2006	20,435	20,435	100.0
2007	24,245	20,872	86.1
2008	24,732	24,245	98.0
2009	24,782	27,254	110.0
2010	26,151	37,761	144.4
2011	33,287	47,528	142.8
2012	34,617	32,859	94.9

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2012
(amounts expressed in thousands)

	(Amounts Expressed in thousands)							
	Special Fund				Federal Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
Original	Final	Original			Final			
REVENUES:								
Taxes:								
Motor vehicle taxes and fees	\$ 1,255,100	\$ 1,256,304	\$ 1,246,733	(\$9,571)				
Motor vehicle fuel taxes and fees	737,600	737,600	728,563	(9,037)				
Revenue sharing of state corporate income tax	111,055	190,055	180,653	(9,402)				
Revenue sharing of state sales tax	31,400	31,400	23,581	(7,819)				
Federal reimbursements					\$915,132	\$964,669	\$921,433	\$(43,236)
Charges for services	392,833	415,527	439,785	24,258				
Investment earnings	4,000	2,500	2,750	250				
Other	21,068	10,000	7,482	(2,518)				
Total revenues	2,553,056	2,643,386	2,629,547	(13,839)	915,132	964,669	921,433	(43,236)
EXPENDITURES and ENCUMBRANCES:								
Current:								
General government:								
The Secretary's Office	492,359	511,688	476,867	34,821	24,083	25,083	8,237	16,846
State Highway Administration	621,492	696,614	650,084	46,530	602,925	660,227	642,065	18,162
Maryland Port Administration	137,898	113,404	97,987	15,417	1,062	3,135	2,536	599
Motor Vehicle Administration	180,308	181,286	174,095	7,191	176	294	206	88
Maryland Transit Administration	734,627	777,119	763,440	13,679	277,498	270,922	264,045	6,877
Maryland Aviation Administration	221,422	227,093	224,686	2,407	9,388	5,008	4,344	664
Total general government	2,388,106	2,507,204	2,387,159	120,045	915,132	964,669	921,433	43,236
Debt service:								
Principal	102,845	102,845	102,845	0				
Interest	81,827	81,827	69,497	12,330				
Total debt service	184,672	184,672	172,342	12,330				
Total expenditures and encumbrances	2,572,778	2,691,876	2,559,501	132,375	915,132	964,669	921,433	43,236
Excess of revenues over expenditures	(19,722)	(48,490)	70,046	118,536				
OTHER FINANCIAL SOURCES (USES):								
Transfers out	(100,000)	(50,000)	(108,967)	(58,967)				
Total other financing sources and uses	(100,000)	(50,000)	(108,967)	(58,967)				
Net change in fund balances	(119,722)	(98,490)	(38,921)	59,569				
Fund balances, July 1, 2011	233,862	233,862	233,862					
Fund balances, June 30, 2012	\$114,140	\$135,372	\$194,941	\$59,569	\$ --	\$ --	\$ --	\$ --

MARYLAND DEPARTMENT OF TRANSPORTATION
Notes to the Required Supplementary Information
For the Year Ended June 30, 2012

1. Stewardship, Compliance and Accountability:

Budgeting and budgetary control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the Special Revenue Fund, which includes the transportation activities of the Department, shared taxes and payments of debt service on transportation bonds. The budgetary Federal fund revenue and expenditures are included in the GAAP Special Revenue Fund as federal revenues and expenditures by function. An annual budget is also prepared for the Federal funds, which accounts for all Departmental grants from the Federal government.

Each year the Department prepares its annual budget and submits it to the Governor. The Governor then presents the State's annual budget (including the Department's) to the General Assembly in accordance with Constitutional requirements. The General Assembly is required to then enact a balanced budget for the next fiscal year.

The GAAP Special Revenue Fund includes both budgetary special and federal funds.

Special fund:

The Special fund includes all transportation activities of the Department and shared taxes with the political subdivisions.

Federal fund:

The Federal fund accounts for substantially all grants from the Federal government.

Budgetary fund equities and other accounts:

The Department's legal level of budgetary control is exercised at the agency appropriation (program) and fund level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between or within departments and any supplemental appropriations require both executive and legislative branch approvals. Unencumbered and unexpended appropriations lapse at fiscal year-end and become available for appropriation in the subsequent year. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

All Departmental budgetary expenditures for special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time. The Department may, with the Governor's approval, amend the appropriations by modal administration within the budgetary special and federal funds. Additionally, appropriations for programs funded in whole or in part from special or federal funds may permit expenditures in excess of the original special or federal fund appropriation to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from special and federal funds may be carried over to the following year to the extent of (a) available resources and (b) encumbrances which are approved by the Department of Budget and Management. The Department did not receive any general fund appropriations in fiscal year 2012.

The Department's original and amended budget adopted by the General Assembly for special and federal funds is presented in the Required Supplementary Information - Special Revenue Funds - Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual -- For the Year Ended June 30, 2012 on page 64 of this report. The Department's budgetary fund structure and basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles (GAAP). The budgetary system's principal departures from the modified accrual basis are the classification of the Department's budgetary funds and the timing of recognition of certain revenues and expenditures. The GAAP special revenue fund is an aggregate of the special and federal budgetary funds.

A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2012, is provided in the Reconciliation of the Budgetary Special Fund, Fund Balance to the GAAP Special Revenue Fund, Fund Balance in the Notes to the Required Supplementary Information section (see below).

MARYLAND DEPARTMENT OF TRANSPORTATION

Reconciliation of the Budgetary Special Fund, Fund Balance to the GAAP Special Revenue Fund, Fund Balance June 30, 2012

(amounts expressed in thousands)

<i>Classification of budgetary fund equities and other accounts into governmental funds' fund structure:</i>	<i>Special Revenue Fund</i>
Special fund-fund balance (page 64)	\$194,941
Non-budgeted funds-fund balance	560
Total budgetary fund balance reclassified to GAAP fund structure	195,501
<i>Accounting principle and timing differences :</i>	
Assets recognized in governmental funds financial statements not recognized for budgetary purposes:	
Taxes receivable	1,885
Due from other state agencies	14,102
Deferred revenue	(70,802)
Inventories	86,494
Financial statement governmental funds' fund balance, June 30, 2012	\$227,180

**Maryland Department of Transportation
Comprehensive Annual Financial Report**



SUPPLEMENTARY INFORMATION



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MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2012
(amounts expressed in thousands)

	Balance			Balance
	July 1, 2011	Additions	Deletions	June 30, 2012
ASSETS:				
Cash and cash equivalents	\$ 43,042	\$ 9,713	\$ 36,542	\$ 16,213
Accounts receivable	5	-	-	5
Total assets	43,047	9,713	36,542	16,218
LIABILITIES:				
Accounts payable and accrued liabilities	43,047	-	26,829	16,218
Total liabilities	\$ 43,047	-	\$ 26,829	\$ 16,218



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**Maryland Department of Transportation
Comprehensive Annual Financial Report**



STATISTICAL SECTION

MARYLAND DEPARTMENT OF TRANSPORTATION

STATISTICAL SECTION

JUNE 30, 2012

This part of the Maryland Department of Transportation's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, not disclosures and required supplementary information says about the Department's overall financial health.

Table of Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.	73-77
Revenue Capacity These Schedules contain information to help the reader assess the Department's two most significant revenue sources, the motor vehicle tax and motor vehicle fuel tax.	78-79
Debt Capacity These schedules present information to help the reader assess the affordability of the Department's current levels of outstanding debt and Department's ability to issue additional debt in the future.	80-83
Miscellaneous Statistics	84

MARYLAND DEPARTMENT OF TRANSPORTATION
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 10,935,982	\$ 11,141,542	\$ 11,888,421	\$ 12,552,326	\$ 13,047,662	\$ 13,391,594	\$ 13,349,027	\$ 13,171,279	\$ 13,068,635	\$ 13,360,456
Restricted	17,286	28,442	4,737	4,939	4,898	2,768	9,694	3,783	-	-
Unrestricted (deficit)	138,168	251,082	230,502	278,586	188,470	2,833	(62,463)	(201,647)	(205,960)	(278,008)
Total governmental activities net assets	\$ 11,091,436	\$ 11,421,066	\$ 12,123,660	\$ 12,835,851	\$ 13,241,030	\$ 13,397,195	\$ 13,296,258	\$ 12,973,415	\$ 12,862,675	\$ 13,082,448
Primary government:										
Invested in capital assets, net of related debt	\$ 10,935,982	\$ 11,141,542	\$ 11,888,421	\$ 12,552,326	\$ 13,047,662	\$ 13,391,594	\$ 13,349,027	\$ 13,171,279	\$ 13,068,635	\$ 13,360,456
Restricted	17,286	28,442	4,737	4,939	4,898	2,768	9,694	3,783	-	-
Unrestricted (deficit)	138,168	251,082	230,502	278,586	188,470	2,833	(62,463)	(201,647)	(205,960)	(278,008)
Total primary government net assets	\$ 11,091,436	\$ 11,421,066	\$ 12,123,660	\$ 12,835,851	\$ 13,241,030	\$ 13,397,195	\$ 13,296,258	\$ 12,973,415	\$ 12,862,675	\$ 13,082,448

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2003-2012.

MARYLAND DEPARTMENT OF TRANSPORTATION

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
Governmental activities:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Secretary's office	\$ 367,263	\$ 743,780	\$ 498,866	\$ 347,219	\$ 376,217	\$ 406,315	\$ 419,588	\$ 459,933	\$ 483,410	\$ 498,029
State highway administration	1,156,819	1,121,163	1,268,539	1,334,407	1,399,649	1,422,063	1,437,996	1,410,556	1,593,278	1,359,177
Port administration	111,367	170,011	142,502	159,358	187,187	152,107	189,603	186,516	107,521	115,211
Motor vehicle administration	129,686	123,488	129,129	143,531	155,700	161,796	176,300	165,933	178,529	182,839
Transit administration	516,679	566,078	576,835	528,918	617,442	683,821	782,548	818,465	1,056,590	864,702
Aviation administration	170,222	199,264	200,521	239,601	287,604	284,488	274,906	272,455	252,723	275,051
Interest on long-term debt	63,448	63,210	79,409	68,998	72,137	74,441	97,683	101,481	92,996	144,725
Total governmental activities expenses	2,515,484	2,986,994	2,895,801	2,822,032	3,095,936	3,185,031	3,378,624	3,415,339	3,765,047	3,439,734
Program Revenues:										
Charges for services:										
Secretary's office	55,585	159,836	45,596	7,496	23,467	(27,914)	2,291	9,447	27,503	5,336
State highway administration	49,024	71,854	69,663	28,927	35,035	48,491	51,983	40,399	44,071	38,495
Port administration	90,291	97,100	96,631	91,836	94,544	96,981	93,618	69,781	48,667	52,846
Motor vehicle administration	834	1,575	371	(917)	(133)	(236)	-	-	-	4
Transit administration	98,115	108,454	106,789	110,136	122,913	117,869	117,556	125,057	143,456	146,093
Aviation administration	138,303	183,445	185,335	215,091	236,401	244,579	241,083	282,646	291,535	297,935
Operating grants and contributions	76,839	76,499	79,892	70,827	72,597	79,228	93,729	90,762	90,732	92,739
Capital grants and contributions	634,155	626,950	743,294	789,619	710,163	667,219	668,442	714,144	709,029	830,922
Total governmental activities program revenues	1,143,146	1,325,713	1,327,571	1,313,015	1,294,987	1,226,217	1,268,702	1,332,236	1,354,993	1,464,370
Net (expense) revenue governmental activities	(1,372,338)	(1,661,281)	(1,568,230)	(1,509,017)	(1,800,949)	(1,958,814)	(2,109,922)	(2,083,103)	(2,410,054)	(1,975,364)
General Revenues and Other Changes in Net Assets:										
Taxes:										
Motor vehicle taxes	989,571	1,110,799	1,279,052	1,237,199	1,241,538	1,178,609	1,058,759	1,082,559	1,166,398	1,259,743
Motor fuel taxes	704,165	746,044	752,810	746,240	740,791	741,851	728,385	714,210	747,171	728,410
Corporation income tax share	91,034	107,397	209,458	202,755	185,557	167,102	150,554	153,275	156,758	180,653
State sales tax share	23,102	23,266	24,323	26,527	27,689	23,659	223,084	223,582	227,981	23,581
Unrestricted investment earnings	2,985	3,405	5,181	8,487	10,553	3,758	4,029	404	1,006	2,750
Loss on disposal of capital assets	(18,156)	-	-	-	-	-	-	(413,770)	-	-
Transfers out	(160,000)	-	-	-	-	-	-	-	-	-
Total governmental activities general revenues:	1,632,701	1,990,911	2,270,824	2,221,208	2,206,128	2,114,979	2,164,811	1,760,260	2,299,314	2,195,137
Change in Net Assets:										
Governmental activities	260,363	329,630	702,594	712,191	405,179	156,165	54,889	(322,843)	(110,740)	219,773
Total primary government	\$ 260,363	\$ 329,630	\$ 702,594	\$ 712,191	\$ 405,179	\$ 156,165	\$ 54,889	\$ (322,843)	\$ (110,740)	\$ 219,773

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2003-2012.

MARYLAND DEPARTMENT OF TRANSPORTATION
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Motor Vehicle Tax	Motor Fuel Tax	Corporation Income Tax	State Sales Tax (1)	Total
2003	\$ 989,571	\$ 704,165	\$ 91,034	\$ 23,102	\$ 1,807,872
2004	1,110,799	746,044	107,397	23,266	1,987,506
2005	1,279,052	752,810	209,458	24,323	2,265,643
2006	1,237,199	746,240	202,755	26,527	2,212,721
2007	1,241,538	740,791	185,557	27,689	2,195,575
2008	1,178,609	741,851	167,102	23,659	2,111,221
2009	1,058,759	728,385	150,554	223,084	2,160,782
2010	1,082,559	714,210	153,275	223,582	2,173,626
2011	1,166,398	747,171	156,758	227,981	2,298,308
2012	1,259,743	728,410	180,653	23,581	2,192,387

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2003-2012.

(1) Effective July 1, 2008 thru June 30, 2011 the Department received additional Sales Tax Revenue due to the increase of 1 percent on the State Sales Tax.

MARYLAND DEPARTMENT OF TRANSPORTATION

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Special revenue fund										
Committed	\$ 22,004	\$ 28,191	\$ 38,021	\$ 37,025	\$ 25,170	\$ 23,931	\$ 861	\$ -	\$ 12,442	\$ 8,182
Nonspendable	60,944	115,368	126,470	126,182	136,723	152,788	158,650	171,094	182,156	181,093
Assigned	153,232	212,040	179,095	219,980	165,144	(26,468)	169,307	164,628	137,050	37,905
Total special revenue fund	<u>\$ 236,180</u>	<u>\$ 355,599</u>	<u>\$ 343,586</u>	<u>\$ 383,187</u>	<u>\$ 327,037</u>	<u>\$ 150,251</u>	<u>\$ 328,818</u>	<u>\$ 335,722</u>	<u>\$ 331,648</u>	<u>\$ 227,180</u>
All other governmental funds										
Reserved/Assigned	\$ 2,769	\$ 18,150	\$ 1,756	\$ 4,696	\$ 2,381	\$ -	\$ 7,033	\$ 1,126	\$ -	\$ -
Total all other governmental funds	<u>\$ 2,769</u>	<u>\$ 18,150</u>	<u>\$ 1,756</u>	<u>\$ 4,696</u>	<u>\$ 2,381</u>	<u>\$ -</u>	<u>\$ 7,033</u>	<u>\$ 1,126</u>	<u>\$ -</u>	<u>\$ -</u>

MARYLAND DEPARTMENT OF TRANSPORTATION
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Motor vehicle taxes and fees	\$ 1,693,736	\$ 1,856,843	\$ 2,031,862	\$ 1,983,439	\$ 1,982,329	\$ 1,920,460	\$ 1,787,144	\$ 1,796,769	\$ 1,913,569	\$ 1,988,153
Revenue sharing of state taxes	114,136	130,663	233,781	229,282	213,246	190,761	373,638	376,857	384,739	204,234
Federal reimbursements	710,994	703,449	823,186	860,446	782,760	746,447	762,171	804,906	799,761	850,631
Charges for services	331,982	545,299	416,878	372,626	407,386	376,563	399,271	419,691	431,261	439,785
Passenger facility charges and interest	44,636	41,045	41,770	37,017	42,171	45,609	40,824	44,054	45,066	46,648
Customer facility charges	24,472	11,210	29,105	33,576	28,392	31,932	23,176	45,467	48,970	13,446
Special parking revenues	-	-	-	-	-	-	-	-	-	38,603
Investment earnings	2,985	3,405	5,181	8,487	10,553	3,758	4,029	404	1,006	2,750
Other	59,264	24,710	16,632	9,354	34,278	25,666	13,260	18,118	34,734	3,481
Reimbursements from other state agencies	1,675	-	-	-	-	-	-	-	-	-
Total revenues	2,983,880	3,316,624	3,598,395	3,534,227	3,501,115	3,341,196	3,403,513	3,506,266	3,659,106	3,587,731
Expenditures:										
Department administration, operating and maintenance expenditures	1,123,911	1,143,707	1,218,027	1,175,711	1,254,313	1,305,618	1,358,247	1,447,811	1,239,600	1,422,847
Highway user revenues and federal funds	467,889	426,950	514,175	583,090	615,458	582,335	515,722	255,164	297,145	263,981
WMATA Grants	289,822	303,393	210,392	237,948	236,158	273,001	285,309	296,522	340,852	386,648
Distributions to other state agencies (1)	43,809	384,386	232,980	78,554	75,607	87,100	59,980	401,930	481,244	343,946
Debt service principal retirement and interest	129,579	136,021	170,546	142,060	119,316	121,390	142,359	150,954	158,662	174,215
Capital outlays	1,335,320	1,354,365	1,409,119	1,432,833	1,369,805	1,400,238	1,261,036	1,232,890	1,182,164	1,231,241
Total expenditures	3,390,330	3,748,822	3,755,239	3,650,196	3,670,657	3,769,682	3,622,653	3,785,271	3,699,667	3,822,878
Excess (deficiency) of revenues over expenditures	(406,450)	(432,198)	(156,844)	(115,969)	(169,542)	(428,486)	(219,140)	(279,005)	(40,561)	(235,147)
Other financing sources (uses):										
Capital leases	48,476	78,726	116,116	49,399	6,285	-	2,098	-	1,021	-
Other long-term liability	157,769	142,015	12,321	5,320	2,411	102	-	-	-	-
Other capital financing sources	13,470	-	-	-	-	-	-	-	34,340	-
Proceeds from bonds	381,318	346,257	-	103,814	102,381	249,217	402,642	140,002	-	323,967
Sale of future revenue rights	-	-	-	-	-	-	-	140,000	-	-
Payment to escrow agents	-	-	-	-	-	-	-	-	-	(193,288)
Transfers to the General Fund (1)	(211,498)	-	-	(23)	-	-	-	-	-	-
Net other sources (uses) of financial resources	389,535	566,998	128,437	158,510	111,077	249,319	404,740	280,002	35,361	130,679
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	(16,915)	134,800	(28,407)	42,541	(58,465)	(179,167)	185,600	997	(5,200)	(104,468)
Fund balance, July 1 (3)	255,864	238,949	373,749	345,342	387,883	329,418	150,251	335,851	336,848	331,648
Fund balance, June 30	\$ 238,949	\$ 373,749	\$ 345,342	\$ 387,883	\$ 329,418	\$ 150,251	\$ 335,851	\$ 336,848	\$ 331,648	\$ 227,180

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2003-2012.

(1) Transfers to the general fund and Maryland Transportation Authority have been reclassified to expenditures in fiscal years 2002, 2004 and 2005.

MARYLAND DEPARTMENT OF TRANSPORTATION
General Government Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Motor Vehicle Tax	Motor Fuel Tax	Corporation Income Tax	State Sales Tax (1)	Total
2003	\$ 989,571	\$ 704,165	\$ 91,034	\$ 23,102	\$ 1,807,872
2004	1,110,799	746,044	107,397	23,266	1,987,506
2005	1,279,052	752,810	209,458	24,323	2,265,643
2006	1,237,199	746,240	202,755	26,527	2,212,721
2007	1,241,538	740,791	185,557	27,689	2,195,575
2008	1,178,609	741,851	167,102	23,659	2,111,221
2009	1,058,759	728,385	150,554	223,084	2,160,782
2010	1,082,559	714,210	153,275	223,582	2,173,626
2011	1,166,398	747,171	156,758	227,981	2,298,308
2012	1,259,743	728,410	180,653	23,581	2,192,387

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2003-2012

(1) July 1, 2008 thru June 30, 2011 the Department received additional Sales Tax Revenue due to the increase of 1 percent on the State Sales Tax.

MARYLAND DEPARTMENT OF TRANSPORTATION
Maryland's Ten Largest Employers
Calendar Years
(Employer Listed Alphabetically)

2012-2011	2010-2009
Giant food Stores	Adventist Healthcare
Helix Health System Inc	Giant of Maryland LLC
Home Depot	Helix Health System Inc
Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins Univeristy	Johns Hopkins University
Northrop Grumman Corporation	Northrop Grumman Corporation
Safeway	Safeway
Target	Target
University of Maryland Medical System	University of Maryland Medical System
Wal-mart/Sam's Club	Wal-mart/Sam's Club

Source: Department of Labor, Licensing and Regulation: Office of Labor Market Analysis and Information - Major Employer List - March 2011

MARYLAND DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund
Gasoline and Motor Vehicle Revenue Account
Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Motor vehicle fuel tax and fees	\$ 716,085	\$ 746,155	\$ 752,882	\$ 757,959	\$ 755,733	\$ 755,176	\$ 736,105	\$ 721,295	\$ 752,319	\$ 733,563
Motor vehicle titling tax (4) (5)	669,253	719,757	717,699	719,207	703,815	649,657	514,155	543,411	594,938	632,356
Licensing and registration (3)	188,024	198,787	351,333	360,981	372,498	354,967	354,982	350,098	360,514	357,247
Corporation income tax	91,034	107,397	209,061	202,755	185,557	167,102	151,304	154,025	157,993	180,653
Sales and use tax on rental vehicles	22,518	23,265	24,323	26,527	27,689	23,659	21,498	22,201	24,362	23,581
Total revenues	1,686,914	1,795,361	2,055,298	2,067,429	2,045,292	1,950,561	1,778,044	1,791,030	1,890,126	1,927,400
Deductions:										
1% portion -- Motor vehicle titling tax (1)	(133,851)	(143,951)	(143,540)	(143,841)	(140,763)	(129,931)	(171,385)	(181,137)	(198,313)	(210,785)
Other to the Trust Fund	(6,536)	(6,939)	(6,554)	(7,348)	(8,214)	(7,526)	(6,178)	(6,615)	(6,859)	(6,797)
Other	(42,785)	(43,097)	(43,487)	(45,907)	(46,688)	(47,337)	(44,407)	(45,744)	(45,585)	(57,413)
Total deductions	(183,172)	(193,987)	(193,581)	(197,096)	(195,665)	(184,794)	(221,970)	(233,496)	(250,757)	(274,995)
Net Highway User Revenue	\$ 1,503,742	\$ 1,601,374	\$ 1,861,717	\$ 1,870,333	\$ 1,849,627	\$ 1,765,767	\$ 1,556,074	\$ 1,557,534	\$ 1,639,369	\$ 1,652,405
Allocations (Highway User Revenue):										
Share to the Department	\$ 935,598	\$ 996,444	\$ 1,303,202	\$ 1,309,233	\$ 1,294,739	\$ 1,236,037	\$ 1,089,252	\$ 1,090,274	\$ 1,122,968	\$ 1,278,618
Share to the General Fund (1)	117,021	124,518					-	-	-	40,000
Share to counties and municipalities	261,357	207,972	255,932	293,184	328,309	313,564	279,232	29,593	9,836	23,134
Share to Baltimore City	171,817	170,000	200,143	219,416	226,579	216,166	187,590	133,948	129,510	123,930
Local Share to the General Fund (1) (2) (4)	17,949	102,440	102,440	48,500				303,719	377,055	186,722
Total allocations	\$ 1,503,742	\$ 1,601,374	\$ 1,861,717	\$ 1,870,333	\$ 1,849,627	\$ 1,765,767	\$ 1,556,074	\$ 1,557,534	\$ 1,639,369	\$ 1,652,404

Source: Maryland Department of Transportation, The Secretary's Office, Office of Finance.

- (1) The 2003 Session of the Maryland General Assembly approved legislation (HB 935) requiring the deposit of \$160,000,000 and \$154,913,000 in FY2003 and FY2004, respectively, of motor vehicle registration fees and other user fees from the Motor Vehicle Administration in the State General Fund rather than the Transportation Trust Fund. Therefore, 70% of motor vehicle registration fees \$117,021,000 and \$124,518,000 were deposited in the State General Fund. An additional \$42,979,000 and \$30,395,000 of other user fees were also deposited in the State General Fund. The legislation further provided for transfers of \$17,949,407 and \$102,440,128 from the Local Government's share of Highway User Revenues to the State General Fund.
- (2) The 2004 Session of the Maryland General Assembly approved legislation (SB 508) providing for the transfer of \$102,440,128 from the Local Government's share of Highway User Revenues to the State General Fund.
- (3) The 2004 Session of the Maryland general Assembly approved legislation (HB 1467) increasing Vehicle Registration Fees.
- (4) The 2005 Session of the Maryland General Assembly approved legislation (HB 147) providing for the transfer of \$48,500,000 from the Local Government's share of Highway User Revenues to the State General Fund.
- (5) The 2007 Special Session of the Maryland General Assembly approved legislation to increase the State's Sales Tax and the Vehicle Excise Tax (Titling) from 5% to 6%, effective Jan. 1, 2008. In addition, the percentage of Titling Tax to GMVRA was changed from 80% to 66 and 2/3%, effective July 1, 2008.
- (6) The 2010 Session of the Maryland General Assembly approved legislation (SB141) changing the allocation of Highway User Revenues. Effective July 1, 2009, the allocation is 70% to the Department, 19.5% to the General Fund, 8.6% to Baltimore City, 1.5% to the Counties, and .4% to the Municipalities. Effective July 1, 2010, the allocation is 68.5% to the Department, 23% to the General Fund, 7.9% to Baltimore City, .5% to the Counties, and .1% to the Municipalities. Pursuant to legislation enacted by the General Assembly at its 2011 Session (Chapter 397), effective July 1, 2011, the allocation will be 79.8% to the Department, 11.3% to the General Fund, 7.5% to Baltimore City, .8% to Counties, and .6% to municipalities.
- (7) The 2011 Session of the Maryland General Assembly approved legislation (Chapter 397) requiring the transfer from the Transportation Trust Fund of \$40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.

MARYLAND DEPARTMENT OF TRANSPORTATION

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 1,075,000	\$ 1,253,000	\$ 1,472,000	\$ 1,333,475	\$ 1,248,750	\$ 1,497,060	\$ 1,620,850	\$ 1,830,010	\$ 1,791,840	\$ 1,888,995
Net debt applicable to limit	961,245	1,185,650	1,069,945	1,078,475	1,108,692	1,266,434	1,574,902	1,643,884	1,561,840	1,562,630
Total legal debt margin	<u>\$ 113,755</u>	<u>\$ 67,350</u>	<u>\$ 402,055</u>	<u>\$ 255,000</u>	<u>\$ 140,058</u>	<u>\$ 230,626</u>	<u>\$ 45,948</u>	<u>\$ 186,126</u>	<u>\$ 230,000</u>	<u>\$ 326,365</u>
Net debt applicable to the limit as a percentage of debt limit	89.42%	94.62%	72.69%	80.88%	88.78%	84.59%	97.17%	89.83%	87.16%	82.72%

Legal Debt Margin Calculation for Fiscal Year 2012

Debt limit (1)	\$ 1,888,995
Debt applicable to limit:	
Special revenue bonds	<u>1,562,630</u>
Total net debt applicable to limit	<u>1,562,630</u>
Legal debt margin	<u>\$ 326,365</u>

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2003-2012.

(1) The Maryland Department of Transportation's legal debt limit is established by the Maryland General Assembly on an annual basis.

MARYLAND DEPARTMENT OF TRANSPORTATION
Ratio of Annual Debt Service Expenditures For Consolidated Transportation Bonded Debt to Total General
Governmental Expenditures
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service	Total Noncapital Governmental Expenditures	Ratio of Debt Service to Noncapital Expenditures
2003	\$ 95,165	\$ 34,414	\$ 129,579	\$ 2,055,010	6.31 %
2004	94,710	41,311	136,021	2,394,457	5.68
2005	116,470	54,076	170,546	2,346,120	7.27
2006	92,280	49,780	142,060	2,217,363	6.41
2007	68,290	51,026	119,316	2,300,852	5.19
2008	68,990	52,400	121,390	2,369,444	5.12
2009	71,325	71,031	142,356	2,361,617	6.03
2010	77,595	73,359	150,954	2,552,381	5.91
2011	83,170	75,492	158,662	2,517,503	6.30
2012	102,845	71,370	174,215	2,591,637	6.72

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2003-2012.

MARYLAND DEPARTMENT OF TRANSPORTATION
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Governmental Activities			Total		Percentage of Personal Income
	Special Revenue Bonds	Capital Leases	Other Long-term Liability (2)	Governmental Activities Debt	Total Personal Income (1)	
2003	\$ 964,400	\$ 126,908	\$ 264,099	\$ 1,355,407	\$ 209,701,000	0.65 %
2004	1,188,090	199,895	400,813	1,788,798	224,646,000	0.80
2005	1,071,620	309,496	409,585	1,790,701	237,146,000	0.76
2006	1,079,340	348,470	404,318	1,832,128	252,431,000	0.73
2007	1,111,050	343,379	391,029	1,845,458	264,375,000	0.70
2008	1,268,815	331,703	373,319	1,973,837	273,934,000	0.72
2009	1,582,605	673,836	-	2,256,441	275,143,000	0.82
2010	1,645,010	641,252	-	2,286,262	282,092,000	0.81
2011	1,561,840	604,662	-	2,166,502	295,236,000	0.73
2012	1,562,630	562,656	-	2,125,286	305,569,000	0.70

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2003-2012.

(1) Source: U.S. Department of Commerce, Bureau of Economic Analysis (amounts are on a calendar year basis).

(2) Other long-term liability items were reclassified as capital leases in fiscal year 2009.

MARYLAND DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund
Taxes Pledged to Bonds and Net Revenues as Defined for Purposes of the Bond Coverage Test
Last Ten Fiscal Years
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes pledged to bonds:										
Corporation income tax (GMVRA)	\$ 63,724	\$ 75,178	\$ 146,343	\$ 141,929	\$ 129,890	\$ 116,971	\$ 105,388	\$ 107,293	\$ 107,379	\$ 143,370
Fuel tax	484,483	505,173	510,572	513,033	510,735	510,630	500,114	489,004	500,801	567,431
Titling tax (4)	508,632	547,015	545,451	546,597	534,899	493,739	411,324	434,729	470,001	547,198
Sales and use tax (4) (5)	17,114	17,682	18,485	20,161	21,044	17,981	217,924	213,254	221,842	19,770
Total taxes pledged to bonds	1,073,953	1,145,048	1,220,851	1,221,720	1,196,568	1,139,321	1,234,750	1,244,280	1,300,023	1,277,769
Fees:										
Motor vehicle licenses and registrations (2)	117,021	124,519	230,756	236,661	244,472	231,379	231,773	227,954	229,748	256,350
Other	131,812	142,699	150,760	154,957	166,142	172,703	186,961	187,455	209,909	259,211
General fund share of fees (1)	(160,000)	(154,913)	-	-	-	-	-	-	-	(40,000)
Total taxes and fees	1,162,786	1,257,353	1,602,367	1,613,338	1,607,182	1,543,403	1,653,484	1,659,689	1,739,680	1,753,330
Operating revenues:										
Maryland Port Administration	91,901	90,600	94,697	91,027	94,499	96,880	93,635	69,222	49,156	57,302
Maryland Transit Administration	98,237	108,577	106,941	110,136	123,122	117,869	117,557	125,057	133,494	136,194
Maryland Aviation Administration	109,706	140,458	126,635	139,579	151,620	180,254	181,580	194,308	207,897	208,560
Total operating revenues	299,844	339,635	328,273	340,742	369,241	395,003	392,772	388,587	390,547	402,056
Other (3)	79,023	90,943	75,902	87,640	39,836	4	(3,666)	(3,600)	60,458	40,015
Investment income	2,960	3,374	4,928	8,211	10,574	3,683	3,996	394	1,004	2,750
Total revenues	1,544,613	1,691,305	2,011,470	2,049,931	2,026,833	1,942,093	2,046,586	2,045,070	2,191,689	2,198,151
Expenditures:										
Administration, operation and maintenance expenditures:										
The Secretary's Office	63,508	64,984	67,904	64,528	66,439	69,693	67,649	71,811	70,650	71,382
Washington Metro Transit Grants-in-Aid	129,030	145,027	153,250	167,041	170,961	193,026	210,394	215,736	228,594	256,722
State Highway Administration	234,191	222,158	219,703	204,764	236,245	240,192	240,742	296,445	253,615	226,926
Motor Vehicle Administration	121,328	124,111	125,699	133,666	140,436	145,838	148,106	146,316	157,344	161,329
Maryland Port Administration	93,430	97,230	99,092	95,423	98,718	104,887	97,901	68,237	44,454	41,612
Maryland Transit Administration	404,894	408,377	446,351	470,453	505,916	556,602	591,720	610,284	621,917	646,795
Maryland Aviation Administration	112,795	116,002	125,447	166,707	178,157	178,072	170,453	173,749	170,765	167,415
Total admin., operation and maintenance expend.	1,159,176	1,177,889	1,237,446	1,302,582	1,396,872	1,488,310	1,526,965	1,582,578	1,547,339	1,572,181
Less Federal funds:										
The Secretary's Office	(7,036)	(7,721)	(7,147)	(5,103)	(6,004)	(7,901)	(7,271)	(9,001)	(8,027)	(8,237)
State Highway Administration -- Highway Safety	(16,567)	(16,467)	(20,251)	(14,908)	(14,077)	(15,928)	(19,595)	(16,925)	(17,175)	(21,218)
Md. Transit -- Planning and program development	(51,910)	(51,957)	(51,923)	(50,376)	(52,077)	(54,392)	(65,894)	(63,775)	(64,496)	(62,430)
Motor Vehicle Administration	(151)	(78)	(240)	(161)	(90)	(351)	(313)	(404)	(379)	(150)
Maryland Aviation Administration	(1,177)	(280)	(331)	(280)	(350)	(656)	(656)	(656)	(656)	(702)
Total Federal funds	(76,841)	(76,503)	(79,892)	(70,828)	(72,598)	(79,228)	(93,729)	(90,761)	(90,733)	(92,737)
Total expenditures	1,082,335	1,101,386	1,157,554	1,231,754	1,324,274	1,409,082	1,433,236	1,491,817	1,456,606	1,479,444
Net revenues	\$ 462,278	\$ 589,919	\$ 853,916	\$ 818,177	\$ 702,559	\$ 533,011	\$ 613,350	\$ 553,253	\$ 735,083	\$ 718,707
Maximum annual principal and interest	\$ 153,965	\$ 169,655	\$ 141,172	\$ 121,412	\$ 129,550	\$ 153,661	\$ 197,281	\$ 210,714	\$ 210,714	\$ 219,765
Ratio of taxes pledged to principal and interest	6.98	6.75	8.65	10.06	9.24	7.41	6.26	5.91	6.17	5.81
Ratio of net revenues to principal and interest	3.00	3.48	6.05	6.74	5.42	3.47	3.11	2.63	3.49	3.27

Source: Maryland Department of Transportation, The Secretary's Office, Office of Finance.

(1) The 2003 Session of the Maryland General Assembly approved legislation (HB 935) requiring the deposit of \$160M in FY2003 and \$154.9M in FY2004 in the State's General Fund.

(2) The 2004 Session of the Maryland General Assembly approved legislation (HB 1467) increasing Motor Vehicle Registration Fees.

(3) Fiscal year 2007 was the last year for the transfer of \$43M from Maryland Transportation Authority to the Transportation Trust Fund.

(4) The 2007 special Session of the Maryland General assembly approved legislation to increase the State's Sales Tax and the Vehicle Excise Tax (Titling) from 5% to 6%, effective

Jan. 1, 2008. In addition, effective July 1, 2008, the percentage of Titling Tax retained by the Department was increased from 76% to 86.7%.

(5) In addition, effective July 1, 2008, the Department now receives 5.3% of the net State's Sales Tax (after distribution of State's sales tax on short-term rental vehicles).

(6) The 2011 Session of the Maryland General Assembly approved legislation (Chapter 397) requiring the transfer from the Transportation Trust Fund of \$40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.

MARYLAND DEPARTMENT OF TRANSPORTATION
Schedule of Miscellaneous Statistics
 Last Ten Fiscal Years
(unaudited)
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
State Highway Administration:										
Miles of State Highway (1)	5,131	5,133	5,133	5,134	5,140	5,140	5,138	5,143	5,145	5,266
Motor Vehicle Administration:										
Motor Vehicle Titles Issued	1,161,980	1,227,528	1,205,886	1,202,561	1,166,195	1,096,692	930,858	939,209	994,235	995,247
Motor Vehicle Registration Transactions	3,394,364	3,519,824	3,476,509	3,600,359	3,580,933	3,378,435	3,345,546	3,336,752	4,100,604	3,889,667
Motor Vehicle Fuel - Gallons Sold	2,996,988,023	3,154,305,826	3,196,587,508	3,197,252,545	3,238,848,801	3,223,523,234	3,139,151,697	2,862,255,721	3,178,835,403	3,149,605,108
Maryland Port Administration:										
Port of Baltimore (2):										
Export Commerce (2,000 lbs.)	4,937,263	6,882,129	7,420,411	8,365,476	11,291,633	15,052,545	10,216,952	17,596,350	23,852,386	N/A
Import Commerce (2,000 lbs.)	19,801,838	24,878,081	25,005,278	22,254,906	19,490,995	17,965,267	12,145,939	15,243,578	13,991,505	N/A
Total Foreign Commerce (2,000 lbs.)	24,739,101	31,760,210	32,425,743	30,620,470	30,782,628	33,017,812	22,362,891	32,839,928	37,843,891	N/A
General Cargo (2,000 lbs.) (included above)	7,124,818	8,160,376	8,694,474	9,239,964	8,893,780	8,905,872	7,155,595	8,373,255	9,126,585	N/A
Maryland Aviation Administration:										
Passenger Traffic	18,920,924	20,742,032	19,571,154	20,360,376	20,643,685	21,321,252	20,103,443	21,313,033	22,488,838	22,611,988
Commercial Air Carrier Operations	258,690	263,062	273,098	266,928	267,517	260,970	243,453	247,391	258,639	256,992
Total Aircraft Operations	295,757	306,293	311,806	304,648	303,721	290,945	266,273	272,997	277,435	273,966
Maryland Transit Administration (Baltimore Area) (3):										
Buses (4)	874	913	843	840	840	895	895	869	828	903
Route Miles	3,116	3,125	3,126	2,657	1,809	2,146	2,111	2,088	2,364	2,088
Vehicle Miles (7)	23,454,697	23,672,892	23,492,593	23,877,900	23,448,056	23,873,643	24,703,842	24,248,825	23,016,156	20,823,391
Trips	74,394,672	71,386,149	71,062,892	71,624,670	72,611,252	75,575,573	79,239,334	78,188,577	72,520,531	73,627,843
Subway Cars	100	100	100	100	100	100	100	100	100	100
Route Miles	15	15	15	15	15	15	15	15	15	15
Car Miles	4,738,166	4,743,157	4,715,695	4,681,521	4,735,303	5,193,972	5,285,406	4,480,709	4,706,797	4,764,148
Trips	13,196,410	12,425,656	12,863,412	12,918,530	13,225,843	13,955,325	13,566,823	1,363,903	14,002,609	15,199,117
Light Rail Cars (Baltimore Area) (5)	53	53	53	53	53	53	53	53	53	53
Route Miles	29	29	29	29	29	29	29	29	29	29
Car Miles	2,811,658	2,083,464	1,494,164	2,053,813	2,797,732	2,789,820	2,780,098	3,179,325	3,169,421	3,257,117
Trips	7,238,036	6,067,069	4,875,005	5,401,327	7,121,516	7,962,979	8,712,179	8,076,249	8,752,463	8,796,346
MARC Commuter Rail Cars	146	153	165	165	157	153	157	157	177	177
Number of Trains Daily	86	84	84	85	85	89	83	87	110	100
Number of Stations Served (6)	42	42	42	42	42	42	42	42	42	42
Car Miles (7)	4,796,550	4,854,629	5,030,652	4,997,902	5,030,652	5,124,244	5,706,147	5,651,786	5,270,162	5,821,508
Trips	6,334,820	6,699,250	6,884,083	7,274,737	7,505,226	7,897,602	8,081,155	8,095,577	8,232,729	8,532,214
Number of MDOT State Employees	N/A	6,799	6,599	6,523	6,518	6,572	6,638	6,463	6,007	5,963

Source: Maryland Department of Transportation modal administrations.

(1) As of January 1.

(2) Calendar year basis.

(3) Data is estimated for FY 2006 and may have also been restated in prior fiscal years.

(4) Bus service statistics have been restated to include transportation provided by contractual bus companies.

(5) Service initiated in May, 1992; service extended to Hunt Valley in September, 1997, and to BWI Airport in December, 1997.

(6) Service initiated to Frederick and Monocacy on December 17, 2001.

(7) Vehicle and car miles have been restated to accurately reflect the revenue service miles.



MARYLAND DEPARTMENT OF TRANSPORTATION

The Office of the Secretary

Darrell B. Mobley, Acting Secretary

Leif A. Dormsjo, Acting Deputy Secretary

Secretary's Office

Frank J Principe, Jr., Chief of Staff

Adrea M. Turner, Special Assistant to the Secretary

Karen W. Gooden, Assistant Secretary

Caitlin H. Rayman, Assistant Secretary

Denise Ferguson, Principal Counsel

Brenda I. Cachuela, Director, Office of Audits

Jan Bryant, Director, Office of Equity and Diversity

Johnny Walker, Director, Office of Fleet, Facilities and Administrative Services

Harold G. Frank, Director, Homeland Security, Emergency Management and Rail Safety

Judith M. Slater, Director, Office of Human Resources

Richelle Thomas, Director, Office of Minority Enterprises

Donald A. Halligan, Director, Office of Planning

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